



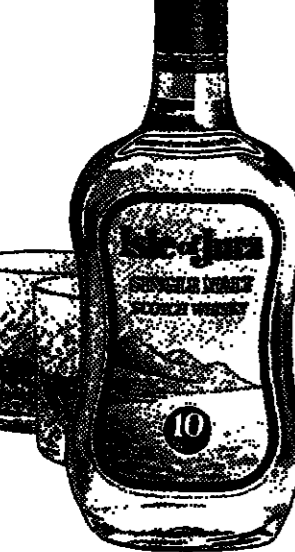
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## Belgium Joins Nations Sending Minesweepers To Patrol in the Gulf

BRUSSELS — Belgium announced Monday that it was sending minesweepers to the Gulf to join naval forces from the United States, France, Britain, Italy and the Netherlands. Prime Minister Wilfried Martens said Belgium would send two minesweepers and one support vessel to help ensure free navigation. He said the force would work in close cooperation with other European allies.

The spotlight had moved to Belgium after Italy and the Netherlands recently ended months of uncertainty by deciding earlier this month to send warships. The Belgian decision came only hours after European Community foreign ministers met in Brussels and reviewed the increasing involvement of West European navies in the region.

Britain, France and the United States are all escorting ships through the Gulf to protect them from attacks in the Iran-Iraq war and guarantee freedom of navigation in the strategic waterway. The Soviet Union also has naval forces in the Gulf.

In the Gulf, shipping surged through the Strait of Hormuz on Monday, taking advantage of a lull in air and sea attacks brought on by a United Nations peace mission to Iran and Iraq.

In Paris, Defense Minister André Giraud said Monday that France's minesweeping force had reached the Sea of Oman and had started hunting for mines in international waters near the mouth of the Gulf.

In Washington, the U.S. Defense Department said the ninth convoy being escorted by U.S. warships entered the Gulf on Sunday and successfully passed through the Strait of Hormuz.

UN Chief Visiting Iraq Alan Cowell of The New York Times reported from Baghdad: As Iran and Iraq charged each other with renewing hostilities, the United Nations secretary-general, Javier Pérez de Cuéllar, met Monday with Iraqi leaders in Baghdad in the final stages of an effort to end the seven-year Gulf war. Western diplomats said there had been little indication that the UN official had wrested any major concessions from Tehran that might lead to the implementation of a July 20 Security Council resolution ordering a cease-fire in the war.



Jan Salvesen, the pilot of the Norwegian plane, holding a piece of propeller that was sheared off in the incident.

## Soviet Fighter In Brush With NATO Plane

OSLO — Norway has sent a protest to the Soviet Union over a midair brush between a surveillance plane of the North Atlantic Treaty Organization and a Soviet jet fighter, the Foreign Ministry said.

None of the 10-man Norwegian crew was injured, and neither aircraft was badly damaged in the incident, which occurred Sunday in international air space over the Barents Sea. Norway's defense command said one engine was damaged on the Norwegian Air Force P-3B Orion when it was scaped by a Soviet Sukhoi-27 fighter. Experts disagreed on whether the Soviet pilot acted deliberately or accidentally.

Foreign Minister Thorvald Stoltenberg said Sunday night that he had summoned the Soviet ambassador, Alexander Teterin, to deliver a protest and demand an explanation. "Teterin said he was surprised to learn what had happened and promised a quick reply," Mr. Stoltenberg said in a statement.

The incident occurred 170 miles (270 kilometers) southeast of Vardø, Norway, 55 miles from Soviet territory.

## FAMINE: In Ethiopia, a Renewed Threat of Starvation

(Continued from Page 1) As it was three years ago, Colonel Mengistu's one-man government remains one of the most rigidly orthodox Marxist regimes in the world.

That orthodoxy, according to agriculture specialists from the West and the Soviet Union, limits Ethiopia's ability to feed itself and makes it unnecessarily vulnerable to famine.

Ethiopia has resisted the free-market farm reforms that have swept across Africa in the past three years. Such avowedly socialist countries as Tanzania have instituted reforms that pay higher prices to farmers. The results of such reforms in Tanzania, and across Africa, have been encouraging.

In a speech last week, Colonel Mengistu insisted that "our effort of socialist construction can bear fruit only if the private sector in agriculture is replaced by a socialist property sector."

The speech appeared to ignore the advice of a 1985 consulting report by Soviet advisers. That report concluded that Ethiopia should turn its attention away from expanding state farms and producer cooperatives and, instead, concentrate its limited resources on increasing the productivity of small farmers.

## TAMILS: Militants Kill 25 Rivals

(Continued from Page 1) demanding a majority on a provisional joint council for the two provinces. The demand is opposed by other Tamil groups and the government.

Last week the Tigers sent a note to the commander of the more than 8,000 Indian peacekeeping troops in Sri Lanka, asking him to disarm four rival groups.

The Indian troops enforcing the peace accord have avoided involvement in fighting between Sri Lankan groups, but the Indian Embassy in Colombo said Monday that it had advised New Delhi of the Batticaloa situation and that "immediate remedial measures are being considered."

"This was a challenge, and the Tigers have never accepted any competition," Bishop Swampillai said.

Like the rest of Eastern Province, Batticaloa's population of 350,000 includes a large Moslem minority, which is unlikely to accept the peace accord's proposal to unify Northern and Eastern Provinces under Tamil dominance.

Militant Tamils had demanded an independent homeland, which they called Tamil Eelam. Instead, the peace accord offered to join the two provinces under semi-autonomous Tamil administration.

Local Moslems and Sinhalese, however, are expected to vote against the proposal in a referendum to be held by the end of 1988.

The Tigers have been trying to win over Batticaloa's Moslems as well as gain control over the local Tamils.

It is not clear whether the Tigers would accept a negative referendum result, or start fighting again for a homeland.

The group is delaying implementation of the peace agreement by

## Le Pen Look At History Causes Stir

PARIS — The Israeli ambassador to France and the president of the French National Assembly, strongly criticized the ultrarightist leader Jean-Marie Le Pen on Monday for saying that Nazi gas chambers were a minor point in World War II history.

The Israeli envoy, Ovadia Soffer, said he was shocked by Mr. Le Pen's words.

"When one speaks of the Holocaust," he said, "it's necessary to demonstrate a profound sense of responsibility, for it touches not only Jewish people but all of humanity."

The National Assembly president, Jacques Chaban-Delmas, who fought in the Resistance during World War II, said he was sickened by Mr. Le Pen's comment.

Mr. Chaban-Delmas, a former prime minister and veteran of postwar French politics, said on television: "Le Pen was lucky not to have been Jewish under the occupation."

Mr. Le Pen, head of the National Front and a candidate in the presidential election next year, said in a radio interview Sunday: "I have asked myself a certain number of questions and I don't say that the gas chambers did not exist."

He continued, however: "I did not see them myself; I have not made a special study of the question, but I believe that it is a minor point in the history of the Second World War."

In a statement issued Monday, Mr. Le Pen said "did not deny the Jewish genocide and the existence of gas chambers."

## WORLD BRIEFS

### Mrs. Dole Resigning Post to Campaign

WASHINGTON (AP) — Transportation Secretary Elizabeth H. Dole told President Ronald Reagan on Monday that she plans to resign Oct. 1 to join the Republican presidential campaign of her husband, Senator Bob Dole of Kansas.

After meeting with the president, Mrs. Dole said her first task in the campaign would be a 12-state tour to attract votes in the South and to open a regional campaign office in Charlotte, North Carolina, in preparation for primary elections in the South. She is a native of North Carolina.

Mrs. Dole has been transportation secretary for four and a half years, longer than any of her predecessors.

### France Arrests Former Secret Agent

PARIS (Reuters) — The French authorities announced Monday the arrest of a former secret agent who accused the government of disbanding a covert action service after it sank an environmental group's boat in 1985.

The agent, who described the unit as in disarray, was arrested for revealing secret information about a French sabotage mission against the Rainbow Warrior, the flagship of the Greenpeace environmental group, in Auckland, New Zealand, in July 1985.

Defense Minister André Giraud said Monday on French radio that the former member of the external intelligence group was detained Sunday. The agent, whose name has not been revealed, said Thursday on French television that he was part of a team of divers that sank the Rainbow Warrior. A Greenpeace photographer died in the attack.

### South Africa Reports 3 Rebels Slain

JOHANNESBURG (WP) — Three suspected guerrillas of the outlawed African National Congress were tracked down and shot to death in a running gun battle with the security forces near the Zimbabwe border, the South African military command said Monday.

The army headquarters in Pretoria said that one of the gunmen was killed Friday night on a farm near Allday, in northern Transvaal Province, and that the other two were killed on another farm in the Pontdrif area on Saturday afternoon.

The military command said security forces suffered no casualties and captured three Soviet-made automatic rifles, eight pistols, hand grenades and other weapons.

### Chad Says Libya Violates Its Airspace

PARIS (AP) — Chad charged Monday that Libyan warplanes were flying over its desert villages, but the fragile truce between the two African nations appeared to be holding.

The Chadian Embassy in Paris issued a statement accusing Libya of "daily and flagrant violations" of Chadian airspace with flights over towns in northern and eastern Chad. The statement said Libyan warplanes flew over the northwestern towns of Wour and Zouar on Saturday and Sunday.

But the embassy did not report any violations of the cease-fire, which was negotiated by the Organization of African Unity and took effect at midday Friday. Chad immediately accused Libya of continuing bombing raids Friday afternoon. The official Libyan news agency JANA said, however, that the attacks stopped 15 minutes before the deadline.

### 15 Die as Afghan Rebels Down Plane

MOSCOW (AFP) — Afghan rebels have shot down a Soviet-made Antonov-26 transport plane, killing all 15 people on board, as it was coming in to land at Kunduz airport in northern Afghanistan, Izvestia reported Monday.

In a dispatch from Kabul, the newspaper said that the Afghan plane, on a flight from the capital, had been shot down Sunday by anti-aircraft fire, but it did not say whether a U.S.-supplied Stinger missile was used.

It was the "sixth tragedy" in Afghanistan this year, the paper said, noting that six persons had died in the most recent downing of a plane at Khost, carried out by the U.S.-backed rebels. According to the paper, the highest number of casualties in such an incident was on June 11, when 50 died in an attack by a Stinger shoulder-held missile.

### For the Record

An Indian judge hearing the Bhopal gas disaster case set an Oct. 30 deadline Monday to settle a \$3 billion compensation dispute. More than 2,400 people died and 200,000 were injured by methyl isocyanate gas leaking from the Union Carbide plant in December 1984. (Reuters)

### TRAVEL UPDATE

#### Irish Bid for Moscow Duty-Free Shops

DUBLIN (Reuters) — Ireland will bid for a chance to run the duty-free shops at Moscow's Sheremetyevo Airport, Irish officials said Monday. Foreign Minister Edward A. Sheehy said the Soviet Union, stopping over in Ireland on its way to Washington, was given a tour Sunday of Shannon Airport, which takes in \$20 million a year at its duty-free shops.

Tourism Minister John Wilson of Ireland will fly next month to Moscow to sign an agreement giving the Soviet airline Aeroflot expanded landing rights at Shannon. Irish officials confirmed on Monday that he would take the opportunity to bid for the Moscow duty-free contract.

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By Clifford D. May  
New York Times Service

WASHINGTON — As the Boeing 727 taxied down the runway at Dulles Airport, a flight attendant greeted the passengers over the public address system.

"Welcome aboard, we welcome you to the United States," she said cheerily. "We'll be flying to Guatemala City. It is a beautiful city with all the amenities of a first-class airport."

The flight attendant, including two Republican representatives, Jack F. Kemp of New York and Bill Rostenkowski of Illinois, and more than 200 members of conservative research groups, were on the plane for the largest — delegation to Central America the governmental delegation since the Vietnam War.

At the same time Mr. Kemp's group was flying to Guatemala, Honduras, El Salvador and Nicaragua last week. Senator Tom Harkin of Iowa, was dropping in on Nicaragua last week. The Senate Republican Caucus, led by another Central American "sovereignist" and another Central American "sovereignist" in Washington shorthand for congressional members.

U.S. Indicts 100 in Child Pornography

WASHINGTON — Two government operations have resulted in 100 indictments of child pornography. Attorney General Francis B. Burch said Monday.

Child pornography can never be considered to be the children's best interest, he said at a news conference.

Indictments from the nationwide operation — one called Project Protect — were issued by the U.S. Department of Justice and the U.S. Customs Service. The U.S. Customs Service — came more than a year after the U.S. Customs Service in various states and usually explicit photographs of minors, often related to sex, as well as firearms, paraphernalia and animal pornography.

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### Philippine Rebel Leader Takes Cause To the Media

By Keith B. Richburg  
Washington Post Service  
MANILA — Colonel Gregorio Honasan, the leader of the military coup attempt last month, has launched a major propaganda blitz, granting interviews to CBS, Newsweek, a local tabloid newspaper and a popular radio station.



Colonel Gregorio Honasan, being interviewed on a CBS television program Sunday.

Colonel Honasan used the various interviews to present his own unedited version of the events surrounding the Aug. 28 rebellion in the Philippines. He said, for example, that he never had intended to seize control of the government but only "to air the sentiments of our soldiers and our people."

Colonel Honasan also said that his continuing revolt had entered a "nonconfrontational" phase after the loss of 53 lives in the coup attempt. He said he had no plans to launch a campaign of urban terror. He refused to detail his exact plans, leaving audiences dangling with the suggestion that he talked in specifics now. "The plans of a more important group than mine would be implemented."

But the renegade colonel, who was one of the leading figures in the Reform the Armed Forces Movement, which spearheaded the February 1986 revolt against Ferdinand Marcos, said he would continue to press his rebellion until President Corason C. Aquino enacted "genuine reforms." This term seems to include a call for an overhaul of the government to give more representation to the military.

The interviews received widespread coverage in Manila, underscoring how in period since the coup attempt Colonel Honasan has emerged as the most sought-after media celebrity in the Philippines. Colonel Honasan also has become a genuine hero among large segments of the armed forces.

When Vice President Salvador H. Laurel conducted a series of meetings at military camps around the country, a majority of the troops expressed sympathy for Colonel Honasan, and almost all said he should be granted amnesty. "I don't see how anyone could disagree with such issues as improving the life and improving the welfare of the soldiers," said Major General Ednardo Ermita, the deputy chief of staff. Any disagreement with Colonel Honasan, he said, was not so much over issues as over "methodology."

It is still uncertain whether Colonel Honasan's popularity within the military ranks is reflected among the general public. A pro-Honasan rally in Manila on Sunday attracted only about a thousand people, and most of them were supporters of Mr. Marcos.

But some believe that after winning the battle of Aug. 28 the government is losing the propaganda war to Colonel Honasan. In the Independent, a daily tabloid, wrote: "The fighting has stopped. The coup mounted by Col. Gringo Honasan was a failure. But who's winning? Honasan and company have disappeared from the scene of the action, not occupying a single square inch of territory, but they have captured the imagination of the people."

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### Kanaks, Decrying Vote, Don't Rule Out Violence

NOUMEA, New Caledonia — Kanak separatists vowed Monday to continue their struggle against French rule in New Caledonia and gave a veiled warning that their campaign could again turn violent.

A separatist leader, Jean-Marie Tjibaou, said that a referendum over the weekend in which New Caledonians voted overwhelmingly to retain the status of French territory would not dampen demands for independence by Kanaks, the islands' indigenous Melanesians.

"The problem remains — it has not budged an inch," said Mr. Tjibaou, head of the Kanak Socialist National Liberation Front.

Mr. Tjibaou said 83.2 percent of the Kanak population had headed a call to boycott the vote.

He did not rule out a return to violence by the front, which adopted a strategy of peaceful protest following violent clashes between Kanaks and white settlers.

"Nonviolence is a tactic, not a religion," Mr. Tjibaou said.

He said that while the vote probably reassured French loyalists in the territory and public opinion in France, the problem of the Kanaks, who account for 43 percent of the population, remained unsolved for the world at large.

A spokesman for the front, Yeiwene Yeiwene, said the movement planned to file complaints alleging electoral fraud involving the use of multiple proxy votes.

Also on Monday, three South Pacific nations joined Australia and New Zealand in condemning



Kanaks removing a photo of Francois Mitterrand before Jean-Marie Tjibaou held a news conference on Monday.

many Kanaks boycotting the vote because of the "unfair basis" on which it was framed.

Officials in New Caledonia said that more than 58 percent of the territory's 84,000 registered voters had cast ballots.

The French prime minister, Jacques Chirac, hailed the referendum result as a triumph for France.

Subsequently General Collins and his troops participated in the 1st Army's battles across France and Belgium and into the heart of Germany. General Bradley called him "one of the most outstanding field commanders in Europe."

General Collins later served as chief of staff from 1949 to 1953 during the period of the Korean War.

Herbert J. Bloch, 79, a leading expert on stamp collecting, of a heart attack Monday in New York.

Paul-Engel Charbonneau, 61, a Canadian-born Roman Catholic priest who became one of Brazil's leading theologians, Friday of a brain hemorrhage in Sao Paulo.

Piotr S. Pleschakov, 65, the minister of the radio industry in the Soviet Union, Sunday in Moscow after a long illness.

### Mervyn LeRoy, Hollywood Director, Dies

By Peter B. Flint  
New York Times Service  
NEW YORK — Mervyn LeRoy, 86, the versatile movie director of social dramas such as "Little Caesar" and "I Am a Fugitive from a Chain Gang" and romances such as "Waterloo Bridge" and "Random Harvest," died Sunday in Beverly Hills, California, after a long illness.



Mervyn LeRoy

Mr. LeRoy directed the musical "Gold Diggers of 1933," the biographical "Madame Curie," the wartime drama "30 Seconds Over Tokyo," the religious epic "Quo Vadis?" and the comedy "Mister Roberts." He also produced 13 of his own movies and several for other directors, including the classic "The Wizard of Oz" in 1939.

He was a vaudeville performer from the age of 14. He always believed that the aim of movies was to entertain. He said his criteria for filming a subject were that "it was believable, had a good, solid story and the quality I call heart."

In 1945, Mr. LeRoy received a special Oscar for a short documentary "The House I Live In," which he directed and co-produced. In 1975, he won the Irving Thalberg Memorial Academy Award for career achievements.

He made 75 movies over 40 years and boasted, "I never repeated myself" or "made a major flop."

Vivien Leigh considered "Waterloo Bridge" her best film. Greer Garson, who starred in "Random Harvest," said that "Mervyn's favorite last-minute exhortation to his actors is a whispered, 'Now let's have a nice scene with a lotta feeling!' and that rather sums up the way he works, the way he moves through life."

In 1957, he fought successfully to curb studio influence in the Academy Awards by persuading academy officials to change a rule and allow the academy, not the studios, to choose whether a performer should be nominated as best actor or best supporting actor.

He also tried, without success, to have Oscar votes made public.

Mr. LeRoy was an adaptable director who made socially critical films at Warner Brothers for a decade and then — for 14 years at MGM — mostly romantic films. He returned to Warner Brothers in 1954.

Among his earlier movies were "Five Star Final" (1931), "Tugboat Annie" (1933), the musical "Sweet Adeline" (1935), "Anthony Adverse" (1936), "The Sign of the Cross" (1937), "The Sign of the Cross" (1937), "The Sign of the Cross" (1937).

General Collins was one of the last survivors among the top-ranked military commanders of the war.

Early in the war, he commanded a division in the fighting on Guadalcanal where he gained the nickname Lightning Joe. The shining record he made there prompted General Dwight D. Eisenhower to choose him to lead one of the two

army corps that landed at Normandy on D day in 1944.

A month after the June 6 invasion, General Collins led the 7th Corps, part of General Omar Bradley's 1st Army, which spearheaded the breakout from Normandy at Saint-Lô. The maneuver was hailed by the army chief of staff, George C. Marshall, as "one of the greatest feats of American arms."

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### Even Pope's Tour Is Subject to Delays

Los Angeles Times Service  
SAN ANTONIO, Texas — Two aborted takeoffs caused a nearly two-hour delay for reporters and photographers aboard Shepherd-3, one of three TWA jets assigned to Pope John Paul II's tour of the United States, a spokesman for the airline said.

The Lockheed-1011 was about to take off from New Orleans International Airport on Sunday morning when an engine oil pressure warning light went on in the cockpit, the TWA spokesman said.

After the pope's plane, a Boeing 727 known as Shepherd-1, took off, Shepherd-3 tried again.

When that takeoff also had to be aborted, TWA mechanics replaced the jet's oil filters while the passengers sat on board, where they served their breakfast early. The engines were tested and the aircraft left for San Antonio.

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### Master's

Handbook the party, tomorrow's newspaper it was the "I think theater." "And the Turner, party flow years, of States an install his next big p will be a Field dep Elizabeth will be the young ass of a rich near New York said, for a He nipped in bamboo rigged with card setting Hotel and leavers ters for the liquor on the public Best." Giant d dles set a party sea scum's Te

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ARTS / LEISURE

Seasons of a Woman's Life

By Patricia Leigh Brown  
New York Times Service

NEW YORK — In his groundbreaking study, "The Seasons of a Woman's Life," published by Knopf nearly a decade ago, Dr. Daniel J. Levinson, a professor of psychology at Yale University, explored the patterns underlying the lives of men.

Levinson found that "women go through the same sequence of periods at the same ages as men," he said. This was surprising "because many events in their lives occur at different ages."

dream world in which she can have a significant part.

Unlike a man in his early 20s, whose life is perceived as just beginning, "the basic assumption is that when a woman marries the basic character of her life is pretty much set," he said. "The question of her further individual development is ambiguous."

**'The problems facing a woman today are considerable — they are reality. They are not just a private neurotic problem.'**

There were two different voices within her.

Perhaps the biggest difference between men and women, and between groups of women, concerns what Levinson called "The Dream."

Between 22 and 28, a young man plans a tentative life structure. He forms a dream: his vision of himself in the world, his goals and aspirations.

"The dreams are mostly related to occupation," said Levinson. "He'll be a boxer, an editor or a football star — the hero of his own story."

Women have greater difficulty forming the dream, he said. "Everything in society supports men having an occupational dream, but for a woman, there is still a quality of going into forbidden territory," he said.

The women, who were interviewed 8 to 10 times for a total of 15 to 20 hours each, were drawn from a pool of 1,300. They were born from 1935 to 1947 and form three groups: businesswomen at corporations and financial institutions in the New York area; academic women at state and private colleges and universities; and a random sampling of women, mostly homemakers.

businesswomen did not have long-term goals.

"They want to be independent, but they are conflicted about ambition," he said. "Most didn't think about a career until around age 30."

Only 20 to 30 percent of the businesswomen married before age 28, a low percentage compared to the traditional group. No more than 10 to 15 percent had children before 28. A theme that emerged was the perception among these women of two mutually exclusive choices.

"Either she is going to become an independent person with an identity of her own, or involved in love, marriage and family," Levinson said. "The sense of one or the other is very strong."

There is "no accrued cultural wisdom" to help the women with these choices. They are "pioneers in a new phase of human history."

"Is the successful woman single and childless, or does she have a family?" he said. "By and large, the image of a highly successful career woman is a single woman. But there is a flip side. The image of the single, childless career woman sitting alone by the fire at night is a powerful image today, one that is frightening to a lot of women, particularly businesswomen. Very few women get to their late 30s without strongly wanting to have children."

The study also pointed toward some new attitudes toward motherhood.

"By the time they're 40, the evidence is that many traditional women don't invest much in motherhood," he said. "They may like to have an extended family around them, but they are not highly involved with their offspring, who are now adults. They are now freer to say, 'The kids don't need me as much.' They come to a new point in motherhood. The question then is, 'What else do I want?'"

Some go to school and some take jobs that do not have great prospects for advancement. Businesswomen experience a similar dilemma.

"Somewhere between the mid to late 30s it begins to become evident that chances for much more advancement aren't great," he said. "The glass wall they are up against becomes clearer. Some will leave that world and go to a small consulting company or start their own firm."

"I think women have a tougher time than men do, but I would rather be a woman today than 50 years ago," he said.

"The problems facing a woman today are considerable — they are reality," he said. "They are not just a private neurotic problem."

For the 67-year-old psychologist, the project has been a "profound developmental experience," he said. He found himself thinking from the vantage point of women, including an occasional, "Gee, I wouldn't want to be married to that guy," he said.

"That he is a man doing a study on women will no doubt prompt criticism in ways that will seem unfair," he said. "But that's part of the risk of going public."

"To my knowledge, I am the first man to do a large-scale study of women, so it is an odd position. I remain a nut."



Kenneth Turner and his assistants in his London workshop.

A Master's Floral Extravaganzas

By Terry Trucco  
New York Times Service

LONDON — Kenneth Turner, a florist to London society, was asked to provide flowers for a party last year at St. James's Palace. It was, he said, "a fantastic challenge."

The hostess "hates everything gilt," he said. "Her first words were, 'Get rid of the gilt.' In a palace."

So Turner hung flowers from everything in sight. Roses tumbled from the gilt chandeliers. Roses rambled up the gilt staircase. Enormous topiaries filled the walls. And hundreds of potted birch trees stood on the floor, which was stripped of its carpets at Turner's request.

"We made it look like an overgrown palace, as if no one lived there," he said.

The palace extravaganza was what partygoers, partygoers and well-heeled horticulture buffs on both sides of the Atlantic have come to know as the "Turner treatment." Everything was outsize and fragrant. Everything seemed to grow almost naturally from the rafters and the floor.

And everything was designed to give the party atmosphere and a theme. Each dining table was a decorative ode to a different flower, from the penny and sweet pea to the rhododendron and the rose.

Everything was "a little over the top," as an admirer put it. As usual, Turner, whose client list is part Social Register, part DeBretz's

Handbook, refused to say who gave the party, as he does whenever customers want privacy. The English newspapers, however, revealed that it was the Duchess of Kent.

"I think parties should be pure theater," said Turner, flipping the pages of his mammoth scrapbook. "And the flowers are the stars."

Turner, 48, has been arranging party flowers for more than 25 years, often flying to the United States and Europe to personally install his favorite buds. Turner's next big party in the United States will be a ball Sept. 27 to benefit AIDS research at the Marshall Field department store in Chicago. Elizabeth Taylor and Bette Davis will be the hostesses.

Since 1972, Turner and his young assistants have worked out of a richly scented London shop near New Bond Street that doubles as a showroom. Each year his efforts reach new heights of fantasy — and price, which can be anything from \$3,000 to "the sky," he said, for a big party.

He ripped out carpets, brought in bamboo and fruit trees and even rigged waterfalls to create a tropical setting for a party at Claridge's Hotel last year. He sculpted grapes and leaves into huge topiary suitcases for the party the Courvoisier liquor company held to celebrate the publication of its "Book of the Best."

Giant date palms and votive candles set an Egyptian mood for a party beside the Metropolitan Museum's Temple of Debdr in New

York last December. His floral designs can be seen on film in "The Living Daylights," the new James Bond movie.

He also makes dried-flower arrangements, huge baskets of roses and colorful mixed bouquets, expensive but long lasting. A \$700 kitchen arrangement artfully combines dried wheat, artichokes and baskets.

"People can't afford to fill a house with fresh flowers, and they would rather see a bowl of dried lavender instead of plastic," he said.

TURNER is part of the new breed who call themselves floral decorators. The most successful create what can be called designer flower arrangements. Like a select group of fashion designers and interior decorators, their names become known in certain circles.

Turner is viewed as the best-known and most imaginative exponent of the English style in flower arranging, a style that originated decades ago with the late Constance Spry's inventive use of country flowers. Like Spry, he is fond of delphiniums, foxgloves and hollyhocks, as well as tomatoes, egg bushes and other less traditional items. He dislikes gladioli, corymbia and especially tall basketwork pedestals for flowers.

"Dart-board arrangements," he said with a groan. "I loathe, I detest those contrived, torturous things. I do a pedestal, you don't see it. I

want it to look like a Piranesi print, all overgrown."

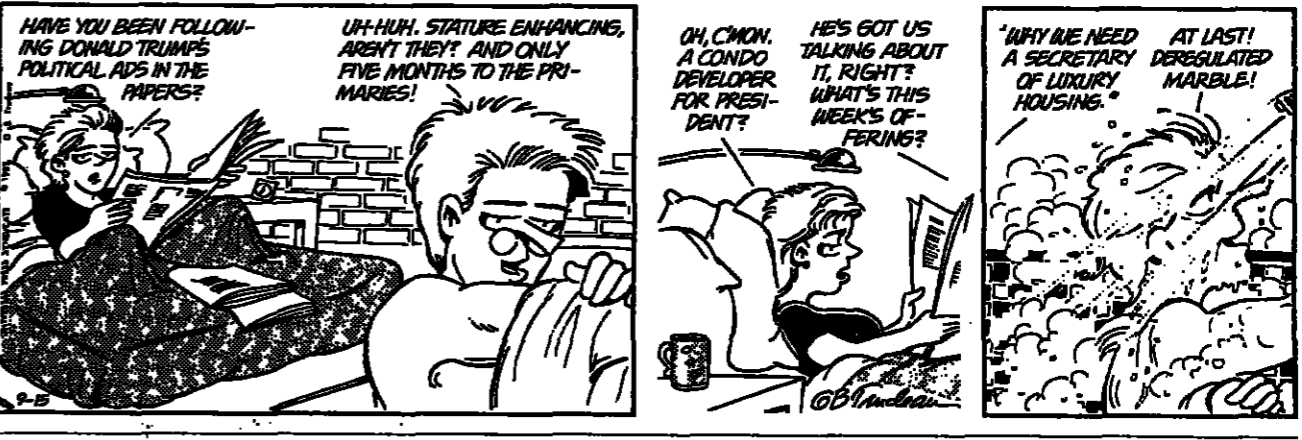
Turner was born in County Down, Northern Ireland. His grandfather had a garden, and Turner loved flowers. He studied landscape horticulture in Northern Ireland and at Reading University in England, but wanted something "more theatrical" than lecturing on horticulture, he said. For years he was head decorator at Pulbrook & Gould, the stylish London florist.

The tradition of the English garden, firmly rooted in the work of Capability Brown and his 18th-century contemporaries, is one reason London is preeminent in floral fashions, he said.

"Holland is a flower country, but they've never had gardens like England," he said, though he added that the English often take their gardens for granted. "Americans haven't grown up with this kind of garden, especially in the cities, which is why Americans are so mad for flowers."

That interest has prompted Turner to expand his business in the United States. A Kenneth Turner boutique will open on the seventh floor at Bergdorf Goodman in New York on Sept. 23, and will offer items like baskets of popovers and candles scented with Kenneth Turner Original for \$200 to \$450, moss trees for \$160 to \$185, baskets of dried flowers for \$275, bath oil for \$60 and soap for \$12 to \$35. He will also open a boutique at Marshall Field in Chicago on Oct. 14.

DOONESBURY



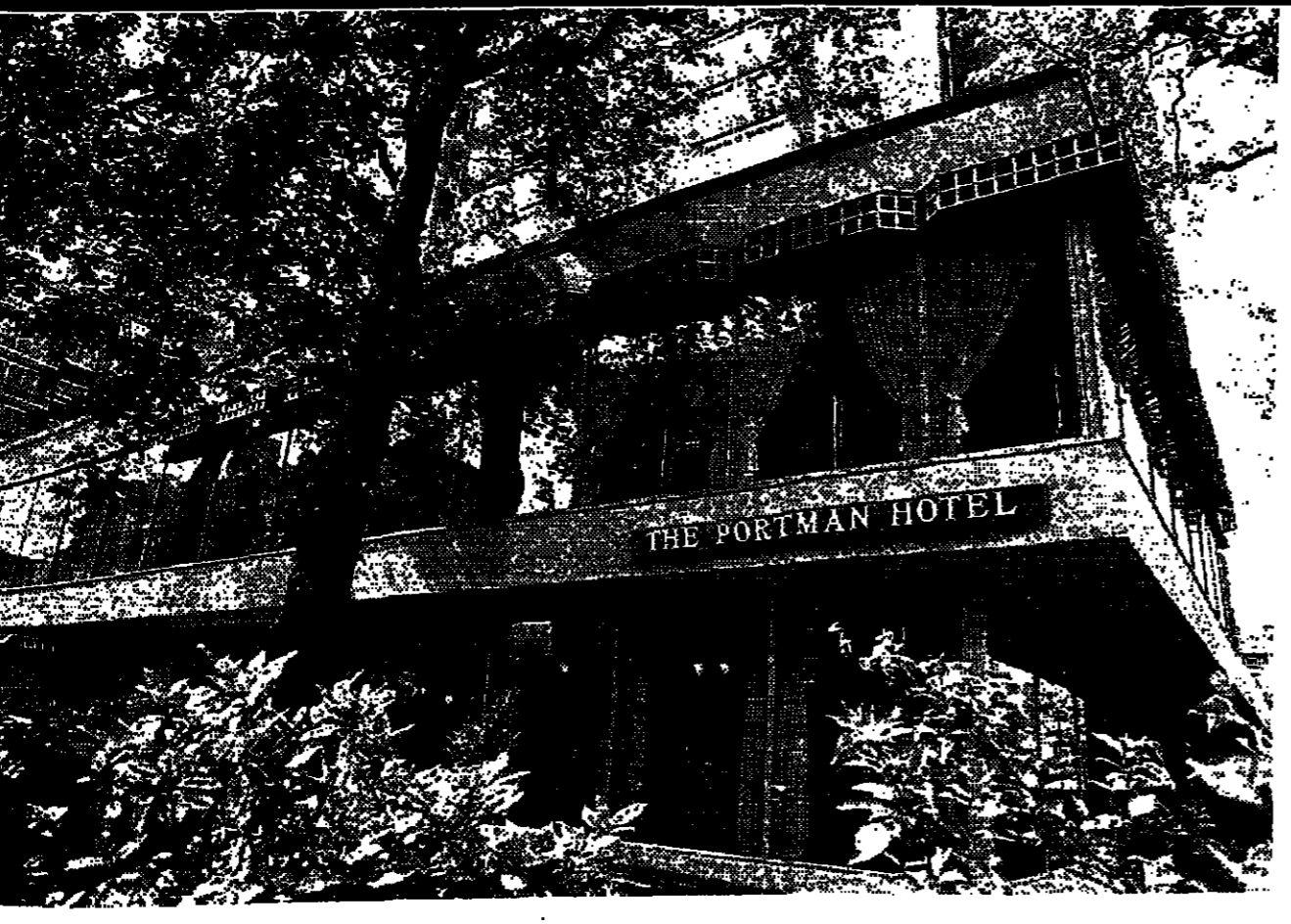
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Herald INTERNATIONAL Tribune

Published With The New York Times and The Washington Post

Hard Work for Turkey

When Turgut Ozal, Turkey's resolute prime minister, sought popular support on Sept. 6 for the continued exclusion of his main opponents from political life...

cause the trade gap persists as imports swell but exports hesitate. The Ozal government can take credit for much progress in economic policy...

A Mission of Peace

Javier Pérez de Cuéllar, secretary-general of the United Nations, is in the Gulf region trying to get Iran and Iraq to call off their savage war...

Iran has sought to pick among the separate elements of the United Nations peace resolution. Mr. Pérez de Cuéllar is absolutely right to insist that the resolution is a package...

Forward With Aquino

Last month's coup attempt against President Corason Aquino did not succeed. Another one might, however, and there is only one way to head that off...

Finally, Philippine military men need to think hard about their role and about the consequences of following adventures like Colonel Gregorio Honasan...

Other Comment

He May Already Have Failed

Iran has told the United Nations that the condemnation and punishment of Iraq for starting the war is its irreducible demand for accepting a cease-fire...

The resolution itself accepts that the cause of the war is an issue and proposes an impartial body to determine the blame. Iraq is prepared to accept that formulation...

We Must Keep Asking Gorbachev Hard Questions

By Natan Sharansky

NEW YORK — I was beginning my ninth year in the Gulag when that memorable Pravda arrived. In our isolation we were so thirsty for news that even the official organ of the Communist Party was eagerly awaited...



brought Nikita Khrushchev to power may be instructive. Then, the KGB chief was executed and the KGB's iron grip on the government and the populace was weakened...

Under the rubric of glasnost, Nazi-like anti-Semitic groups have been allowed to organize and assault Jews, doing the KGB's dirty work without reflecting on the regime...

ence. Many in the West see a need to "help Gorbachev against opposition in the Kremlin" by cheering him unconditionally...

Vietnam: A Failure to Regard the People as Worthy Partners

By Bui Diem

The writer was South Vietnam's ambassador to the United States from 1967 to 1972.

WASHINGTON — Vietnamese of my generation came of age in the early 1940s with the hope that after almost a century as second-class citizens in their own country they would have a chance to recover their dignity and achieve their independence from France...

came in and took over. The message seemed to be that this was an American war and the best thing the South Vietnamese could do was to keep from rocking the boat and let the Americans get on with their business...

demonstrated a modicum of equilibrium, that was all that was asked of it. Several years of progress toward decent government might erode, corruption and autocracy might swell, but these things were not a primary American concern...

Philippines: A Democracy to Defend

By Stephen W. Bosworth

The writer was U.S. ambassador to the Philippines from 1984 to last April. This is the second of two articles.

HANOVER, New Hampshire — Corason Aquino recognized from the outset just how fragile and strained the Filipino sense of nationalhood really is. I believe that this recognition, reinforced by her own personal instinct, has caused her to stress the need for national reconciliation and the healing of the deep wounds left by Ferdinand Marcos...

to create dangerous new attitudes. Some in the military came to consider themselves above the law. Professionalism deteriorated sharply. In the end, the military was unable to keep Mr. Marcos in power...

of all the successive phases of U.S. involvement — the intervention of 1965, the Americanization of the war, then its Vietnamization, and finally the disengagement — it is the disengagement that will stick longest in the minds of the South Vietnamese...

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**BUSINESS ROUNDUP**

**Chemical to Cut Staff, Take a Charge**

**NEW YORK** — Chemical New York Corp. said Monday that it planned to cut its work force by 10 percent, or about 2,100, and sell several businesses to strengthen its performance.

The bank holding company, the fourth largest in the United States, said it would take a one-time charge of about \$135 million in the third quarter to cover severance pay and other related expenses.

That will result in a third-quarter loss of \$65 million, it said. Chemical earned \$99.1 million in last year's third quarter.

The company said it would sell several businesses that did not fit its strategic plan, including its

Cleveland-based consumer finance subsidiary, Chemical Financial Services Corp. It did not name the other businesses.

Chemical and other major banks have been faced with increasing pressures on their earnings and capital because of losses on loans to developing nations, the slump in the energy and agricultural sectors and heightened competition from nonbank institutions.

In June, Chemical added \$1.1 billion to its reserves for possible loan losses, resulting in a loss of \$1.1 billion in the third quarter, compared with a profit of \$38 million a year earlier. It anticipated a loss of \$710 million for the year.

Chemical said the decision to re-

duce its staff was expected to result in pretax gains of about \$150 million annually.

It said it would cut its work force through layoffs, attrition and voluntary departures. Chemical has about 21,000 employees.

The cuts will not affect Chemical's subsidiary Texas Commerce Bancshares Inc. of Houston, which has been operating under a "strict austerity program" for the past three years. Chemical merged with Texas Commerce on May 1.

The company declined to specify which subsidiaries would be subject to job cuts.

Chemical said it expected an estimated \$300 million in pretax gains from the sale of businesses.

It said proceeds from the sales, which it expects to complete next year, would be used to build equity and support businesses that meet its strategic objectives and provide an attractive return on investment.

"We are concentrating Chemical's resources on areas of business where we can achieve scale and significant market position," said Walter V. Shipley, Chemical's chairman.

**Times Mirror Agrees to Sell Denver Post to Media News**

**DENVER** — The Times Mirror Inc. said Monday that it had agreed to sell The Denver Post to an affiliate of Media News Group Inc. of Dallas for \$95 million.

The affiliate, Denver Newspapers Inc., is owned by Richard B. Scudder and William Dean Singleton, Media General Inc. of Richmond, Virginia, also will be a financial participant in the transaction and will have the right in the future to acquire a 40 percent interest in the Post, Times Mirror said in Los Angeles. The agreement is subject to government approval.

Times Mirror will retain ownership of the Post's downtown land and buildings, valued at about \$20 million, and will lease those facilities to the Post for up to five years. The sale includes the Post's new production facilities on a 45-acre (18-acre) site northwest of central Denver.

Robert F. Erburu, chairman and chief executive officer of Times Mirror, said the decision to sell the Post resulted from "significant financial losses in recent years as the prolonged economic slump in the Denver area has reduced advertising revenues in the market."

Last week, Media News announced an agreement to acquire The Houston Post from Toronto Sun Publishing Corp. With the addition of the Houston and Denver papers, Media News will own 28 daily and 28 nondaily publications. Media General Inc., a partner in the Media News Group, owns an additional four dailies and more than 30 nondaily publications.

**Whitbread Buys Distiller for £170 Million**

**LONDON** — Whitbread & Co., the British brewer, said Monday that it had agreed to acquire the James Burrough PLC distiller for about £170 million (\$280 million).

The distiller, in which descendants of James Burrough own 70 percent, makes Beefeater gin and also produces vodka.

Sam Whitbread, the brewer's chairman, said he wanted to build up his company's liquor business. James Burrough was one of the few major independent companies still largely in private hands and "the one we wanted most," he said.

The distiller's chairman, Norman Burrough, said it was difficult

to sell a company that had been an independent family business for 160 years, but the international beverage market had "changed so significantly that we now need to be part of a larger organization."

In an offer comprising shares and cash, Whitbread is offering 2,149 class A shares with limited voting rights and 480 pence in cash for each ordinary share in Burrough. The offer values each Burrough ordinary share at £12.

Whitbread said full acceptance of the offer, excluding the exercise of options outstanding, would involve the issue of about 30.4 million of the class A shares, representing about 7.35 percent of that

class of issued share capital. The cash payment would total \$67.9 million.

Whitbread shares fell 3 pence to 332 pence after the purchase was announced.

The offer is flexible, allowing Burrough shareholders to receive either a larger number of Whitbread shares or a larger amount of cash. Under the flexible offer, each Whitbread share would be exchangeable for 335 pence in cash.

Whitbread said that when the offer was complete, Mr. Burrough, who will remain as the distiller's chairman, would also join the board of Whitbread as a nonexecutive director. (Reuters, AP)

**Telefónica to Increase Capital For 1988 Spending Plans**

**PARIS** — Spain's semipublic phone company is planning to increase its capital to help finance investment in 1988 totaling around \$2.65 billion, company officials said Monday.

The spending by Compañía Telefónica Nacional de España is part of a four-year investment plan through 1990 totaling about \$10 billion, aimed at improving the country's communications network.

The group intends to raise just over half of the 1988 sum on U.S. and European financial markets, partly through an increase in equity and partly through a bond issue, officials said. Details are expected to be completed later this month.

The Spanish government, which holds 33 percent of the group's capital, will take up its rights to the equity increase in proportion to its current stake.

The four-year spending plan intends to extend the country's phone network to provide 30 main lines for each 100 inhabitants, compared with the 25 lines at the beginning of this year, the officials said.

They added that Telefónica would probably sign a joint-venture agreement with the Soviet Union next month involving telecommunications equipment. The group is also looking into the possibility of buying companies in Latin America, they said, but gave no further details.

**Jacobs Suchard Reports 14.5% Rise in Revenue**

**ZURICH** — Jacobs Suchard AG said Monday that group revenue rose 14.5 percent to 2.9 billion Swiss francs (\$1.95 billion) in the first half and it expected an increase in profit for 1987.

The company gave no profit figures but said it increased market share in coffee and chocolate.

**Fermenta Backs TRI Bid**

**STOCKHOLM** — Fermenta AB, the troubled Swedish biotechnology company, said Monday that its board had recommended approval of a new offer by Trans Resources Inc. for its foreign units.

Fermenta's managing director, Bertil Holmberg, said the bid from the U.S. fertilizer and chemical group was valued at 1.4 billion kronor (\$218 million). He said all major shareholders and banks supported the bid. Fermenta will seek

formal shareholder approval at a meeting in mid-October.

Trans Resources would buy the Roferm and Pro-Chim units in Italy and Fermenta Inc. and SDS Biotech in the United States.

"Trans Resources is mainly interested in Fermenta's production and research facilities and inventory," one analyst said. "What will be left if the bid succeeds is empty shell."

Fermenta, which is heavily in debt, said the units would be sold at a significant profit.

**Shearson Is Eliminating 150 Jobs in London**

**LONDON** — Shearson Lehman International, an arm of the big investment bank, is cutting 150 jobs from its staff of 1,400 in London, a company spokesman said Monday.

He said the cuts were due to the consolidation of the group's British business into one office from five and to changing conditions in securities markets in London since the "Big Bang" deregulation in October 1986. He would not comment on profitability.

The Shearson spokesman said the staff cuts followed a review of the London operations of the firm, which is a unit of American Express Co.

The reductions at Shearson had been expected; a few weeks ago, rumor had had it that as many as 400 employees might be dismissed.

London's financial market is going through a painful period of consolidation after the deregulation. Firms are reassessing their

staffing levels as high salaries eat into trading profits already stymied by growing competition.

The Shearson Lehman spokesman said the layoffs were in several areas, including the back office and government bond and equity sales.

He said the firm would not drop any activities. It will continue to operate as a market maker in British shares and government bonds, known as gills.

Departures include some senior

people who the spokesman would not name. Severance terms are generous, he added.

Shearson Lehman employs 27,000 people worldwide.

Shearson's London chairman, Jacques Gelardin, said the review of the British business had been "prompted by the consolidation of our offices into new headquarters, dramatic changes in the financial markets since deregulation, and our rapid growth."

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**Ferruzzi Buying Central Soya Co.**

**RAVENNA, Italy** — Gruppo Ferruzzi said Monday that its holding company, Ferruzzi Agricola Finanziaria, had agreed to acquire Central Soya Co. for around \$170 million.

Ferruzzi, a fast-growing agribusiness and financial empire, is to purchase the food processor, based in Fort Wayne, Indiana, from Shamrock Capital LP. Under the accord, Ferruzzi would also take over a \$195 million bond issue. No further details of the bond were made public.

Ferruzzi said the agreement was subject to the completion of certain formalities.

Shamrock Capital, a limited partnership of the Roy E. Disney family, acquired Central Soya in 1985. Shamrock gave the purchase price as \$303 million.

**SEC Zeroes In on a Takeover Tactic**

**WASHINGTON** — The Securities and Exchange Commission is expected to take a step this week toward abolishing a controversial tactic used in corporate takeovers.

The five commissioners are expected to vote on Wednesday to seek public comment on a proposed rule that would restrict open-market purchases of more than 10 percent of a takeover target's stock. The restriction would apply if a tender offer for the company was under way or had just ended, commission officials said.

In several takeover battles in recent years, controlling blocks of a target company's stock have been bought on the open market, largely from arbitrageurs, at the end of a tender offer. The practice is known as "sweeping the market."

In 1985, for example, quick purchases totaling 30 percent of SCM Corp. were made by the British conglomerate Hanson Trust PLC, ending a bidding war. Hanson

bought the 3.1 million SCM shares in one afternoon after it had dropped its tender offer.

The commission staff believes that such large purchases can constitute an illegal tender offer, forcing ordinary shareholders to sell their stock under pressure if they hope to receive the same price being paid to arbitrageurs.

"The intent of the proposal is to address the real problem — purchasers that use the market pressures of a tender offer against investors," Daniel L. Goelzer, the SEC's general counsel, said in a speech this summer.

Another reason for the proposed rule is that the SEC's position has not fared well in the courts. In a lawsuit arising from the SCM takeover, for example, the U.S. Court of Appeals for the 2d Circuit held that the Hanson purchases did not constitute a tender offer.

The proposed SEC rule would prohibit "purchases, offers to pur-

chase, arrangements or understandings to purchase or solicitation of offers to sell" that would result in anyone's increasing a holding in a takeover target by 10 percent until 10 business days after the end of a tender offer.

Bidders for the company would have to wait longer, 30 days, before passing the 10 percent threshold.

Purchases of an amount of shares greater than 10 percent could still be made by a formal tender offer, which is subject to SEC supervision and must extend for at least 20 days.

A final vote on the proposal will not take place until after the SEC reviews any public comments it receives. The process is expected to take several months.

Action by the SEC will be closely watched in Congress, where about 20 bills have been introduced to alter the procedures for tender offers and related Wall Street matters.

**Dalgety Reports 23% Profit Rise**

**LONDON** — Dalgety PLC said Monday that pretax profit rose 23.3 percent to £92.5 million (\$152.8 million) in the year to June 30, from £75 million the previous year.

The group restructured during the year, to focus on food and agriculture. It said that Golden Wonder (Holland) BV, purchased on Oct. 1, 1986, posted a trading profit of \$8.1 million in the year, while the disposal of ABM Chemicals Ltd. and the insurance broker Clarkson Puckle Group Ltd., helped produce an extraordinary credit of £17.1 million, against a previous debit of £38.2 million.

Dalgety said revenue rose 1.8 percent to £5 billion during the year, from £4.91 billion the previous year.

Earnings per share were 27.8 pence, up from 24 pence.

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**Sony's Interest in Video Software Led to Talks on CBS Records**

**TOKYO** — Sony Corp. said Monday that its attempt to buy the records group of CBS Inc. would enable it to acquire video software, one of Sony's main goals.

Sony spokesman said negotiations with CBS about the records group, the largest U.S. record company, were still not specific.

The acquisition of CBS Records would enable Sony to move into the lucrative market that includes compact-disk videos and high-definition television, the spokesman said. One analyst said Sony hoped to set up movie theaters using the new television technology.

The upscale CD and HDTV market contrasts with the mid- to low-range market, in which profit margins have been slashed by the yen's strength on currency markets and by competition from newly industrialized Asian nations.

CBS said Friday that it would eventually respond to Sony's inquiry, made last week.

Last year CBS rejected an offer from Sony to acquire the record division for \$1.25 billion. CBS has continued to maintain that it is not interested in selling the division.

CBS Records has recently been a star performer, helping offset a slump in the company's core business of broadcasting. Operating profit for 1986 at \$162.1 million on sales of \$1.49 billion, accounted for 31 percent of the company's total revenue.

Susan Suzuki Rawle, a consumer electronics analyst at Barclay's de Zoete Wedd, said Sony's planned acquisition of CBS Records, with its stable of superstars, such as Michael Jackson and Bruce Springsteen, could help Sony to develop compact-disk videos, CDVs, which hold 20 minutes of music and 5 minutes of images, are especially suited for music videos.

"The success of CDV will lead to success of the laser disk," Ms. Rawle said. She added that CDVs were in position to "take off" in part because of the eagerness of Philips NV of the

Netherlands to market them in the United States.

Buying the CBS record group would also strengthen Sony's ability to control and direct production of optical software and hardware, she said. Sony and CBS already cooperate in that area with a highly profitable joint venture.

In addition to music and video, optical products such as compact disks and laser disks have many uses as data-storage devices. Sony hopes to develop markets for read-only compact disks, as well as erasable CDs, for both industrial and consumer markets, she said.

Sony also plans to develop a chain of movie houses using high-definition television technology, an analyst at a major Japanese securities house said.

The demands for the technology "will total 30 trillion yen (\$210 billion) by the year 2000, but the key to developing HDTV is software," the analyst said.

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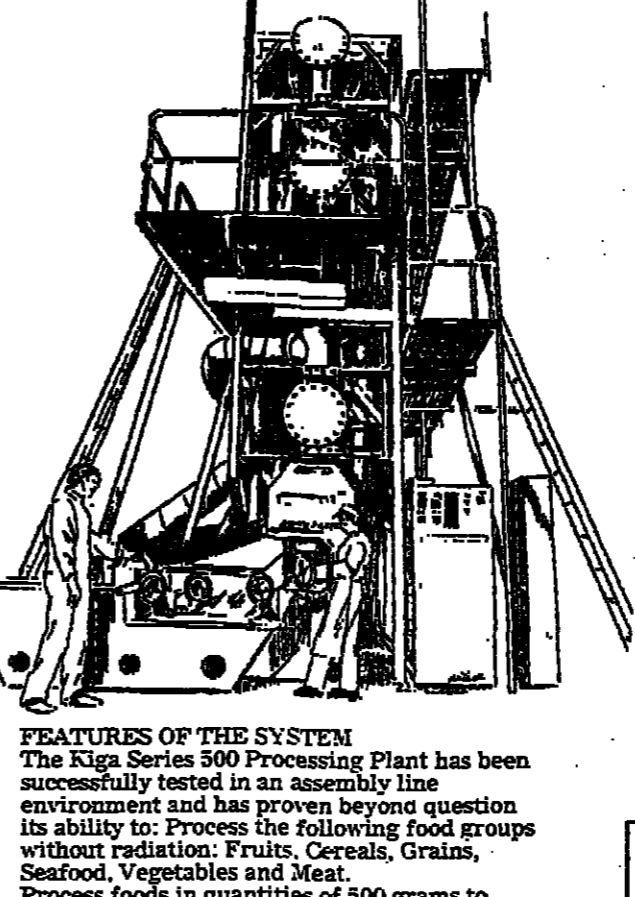
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**C&W: Li Group Buys 4.9% Stake**

(Continued from first finance page)

at 4.3 dollars to raise 2.08 billion. Hong Kong Electric's rights issue will also be a one-for-five offering at 8 dollars to produce 2.42 billion.

Monday morning, the four companies voluntarily suspended trading in their shares on the Hong Kong Stock Exchange, where the suspension announcement weakened the market. At midday, the Hang Seng Index had lost 46 points, but later recovered to close 10.66 points down at 3,649.84.

On Friday, Cheung Kong shares closed at 12.90 dollars, Hutchison Whampoa at 14.20, Cavendish at 5.35 and Hong Kong Electric at 10.10.

C&W's shares closed lower at 438.50 pence Monday on the London Stock Exchange, after Friday's 455 pence.

C&W, which operates in 50 countries and employs over 24,000, has two major units in Hong Kong, C&W Hong Kong Ltd. and Hong Kong Telephone. Recently, the company has participated in joint ventures in China to provide telecommunications networks.

Some share analysts believe Mr. Li's interest in C&W stems from the British company's controlling interest in Hong Kong Telephone.

Both Hong Kong Telephone and Hutchison Telecommunications, a subsidiary of Hutchison Whampoa, have formed consortiums to bid for a highly lucrative cable television contract in Hong Kong.

Sir Eric Sharp, C&W's chairman and chief executive, said Mr. Li's purchase "was a surprise to us."

Although the stake would represent the largest foreign shareholding in the company, Sir Eric said, C&W "remains quite comfortable and relaxed" about the Hong Kong businessman's interest. The British



**Li Ka-shing**

government, which denationalized C&W in 1981, maintains a "golden share" that can block any foreign takeover. Because the company works on sensitive military communications projects, individuals or associated groups are restricted to 15 percent holdings. (IHT, Reuters, AFP)

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Incorporated Under the Laws of Panama

**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

October 15, 1987

Please take notice that the Annual General Meeting of Shareholders of Fidelity Pacific Fund S.A. (the "Corporation") will take place at 2:00 p.m. at the Corporation's principal office, Pembroke Hall, Pembroke, Bermuda, on October 15, 1987.

The following matters are on the agenda for this meeting:

1. Election of seven (7) Directors, specially the re-election of all present Directors, Messrs. Edward C. Johnson 3d, William L. Byrnes, Charles A. Frazer, Hisashi Kurokawa, John M.S. Patton, Harry G.A. Seggerman and E.F. van den Hoven.
2. Review of the balance sheet and profit and loss statement for the fiscal year ended May 31, 1987.
3. Ratification of the actions taken by the Directors since the previous Annual General Meeting.
4. Ratification of the actions taken by the Investment Manager since the previous Annual General Meeting.
5. Consideration of such other business as may properly come before the meeting.

Holder of registered shares may vote by proxy by mailing a form of Registered Shareholder's Proxy obtained from the Corporation's Principal Office in Pembroke, Bermuda, or from the companies listed below, to the Corporation at the following address:

Fidelity Pacific Fund S.A.  
P.O. Box 670  
Hamilton 5, Bermuda.

Holder of bearer shares may vote by proxy by mailing a form of Certificate of Deposit and a form of Bearer Shareholder's Proxy obtained from the Corporation's Principal Office in Pembroke, Bermuda, or from the companies listed below, to the Corporation at P.O. Box 670, Hamilton 5, Bermuda. Alternatively, holders of bearer shares wishing to exercise their rights personally at the Meeting may deposit with the Corporation the certificates for their shares or a Certificate of Deposit therefore prior to the Meeting.

All Proxies (and Certificates of Deposit issued to bearer shareholders) must be received by the Corporation not later than 1:00 p.m. on October 15, 1987, in order to be effective at the Meeting.

By Order of the Board of Directors  
Charles T.M. Collis  
Secretary

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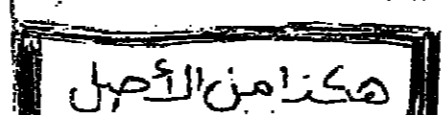
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| G. YEN BONDS            | \$10.08 |
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NYSE Most Actives table with columns for Vol., High, Low, Last, Chg.

Market Sales table with columns for NYSE A.M. volume, NYSE P.M. volume, etc.

NYSE Index table with columns for Composite, Industrials, Utilities, Finance.

Monday's NYSE Closing logo with 'Via The Associated Press' text.

AMEX Diary table with columns for Close, Prev., and various stock categories.

NASDAQ Index table with columns for Composite, Industrials, Utilities, Finance, Transp.

AMEX Most Actives table with columns for Vol., High, Low, Last, Chg.

Dow Jones Bond Averages table with columns for Bonds, Utilities, Industrials.

NYSE Diary table with columns for Close, Prev., and various stock categories.

Odd-Lot Trading in N.Y. table with columns for Sept. 11, Sept. 10, Sept. 9.

Dow Jones Averages table with columns for Open, High, Low, Last, Chg.

Standard & Poor's Index table with columns for Industrials, Transp., Utilities, Finance, SP 100.

NASDAQ Diary table with columns for Close, Prev., and various stock categories.

AMEX Stock Index table with columns for High, Low, Close, Chg.

Tables include the nationwide prices on the closing on Wall Street and do not reflect late trades elsewhere.

Large table of stock prices with columns for 12 Month High, Low, Stock, Div., Yld., PE, 52 Wk High, Low, Close, Chg.

NYSE Rises in Erratic Trading

NEW YORK — Prices on the New York Stock Exchange drifted higher Monday in moderate, erratic trading. The Dow Jones industrial average rose 4.30 points to close at 2,613.40, after rising 47.36 points last week.

Volume fell to 152.12 million shares from 178.02 million on Friday. The market opened higher but turned mixed by midmorning when blue-chip stocks lost their early advance.

With the dollar and bond markets not doing anything special, Wall Street just seemed to be marking time.

Mr. Schneider said investors may be using the triple-witching hour as an excuse not to make any big moves in this market. "They don't see any incentives to buy stocks at the moment," he said.

"If you take out a stock like Detroit Edison, which traded about 16 million shares today on a dividend pay, you'd have a really, really solid session," Mr. Wecker said.

Excitement came in the form of only a few stocks that made big moves on special situations.

Telex fell 1 3/4 points to 51 1/2 after surprising analysts with an announcement that it expects earnings of \$1 a share for the second quarter compared with \$1.32 a year ago.

Eberstadt Fleming was the latest brokerage to cut earnings estimates of Hercules, sending the stock down 4 1/4 to 64 in active trading.

Analysts suggest that Wall Street is by no means out of the woods.

This Friday it will have to contend with the "triple witching hour," which often causes wild price swings.

Only last Tuesday, the market, embroiled in a volatile correction, dipped below the 2,500 level in intraday trading before it recouped some of that loss.

Culligan Europe makes water better advertisement with an image of a water filter.

Table of international exchange rates for various countries like Austria, Belgium, France, etc.

Table of currency exchange rates for various currencies like DM, FF, Lira, etc.

MADRID — Investors attracted to Madrid stock exchange Monday to record levels. Monday's trading was a record for the second year in a row.

Madrid's share index closed at 10,250.50, up 150.50 points from 10,100.00. The index had risen 55 percent since the start of the year.

Table of interest rates for various banks and currencies.

Interest Rates advertisement with various financial data and bank information.

TUESDAY, SEPTEMBER 15, 1987

Page 11

INTERNATIONAL STOCK MARKETS

As Fever Grips Provinces, Madrid Share Index Soars

By ANDREW HURST

MADRID — Investors attracted by Spain's booming economy are on a feverish buying spree on the Madrid stock exchange, where share prices rose Monday to record levels. Analysts believe that the Madrid bourse, which accounts for more than 80 percent of stock trading in Spain, is about to become Europe's top performing exchange for the second year in a row.

Some analysts fear that prices have risen too fast and many new investors buy indiscriminately.

Also helping to boost values are a sharp increase in company profits and an influx of money from institutional investor funds in the United States, Britain and Japan.

The bourse has rebounded at a dizzying speed. At the start of the year, investor confidence ebbed when labor unrest threatened to paralyze Spanish industry. In February, the enthusiasm of foreign investors was dampened by the delisting of Fuerzas Electricas de Cataluña SA, the Barcelona electrical utility that defaulted a month later on about \$2 billion in foreign debt.

MADRID's all-share index closed at a record 316.42 Monday, surpassing the high of 314.76 set Sept. 2. The new level reflected a 55 percent climb since May 8, when the index fell to 202.89 as the Bank of Spain, concerned that it was losing control of credit growth, raised interest rates.

Dealers said that all sectors registered strong gains Monday, reflecting a flood of orders from private and institutional investors. Engineering stocks led the upswing as speculative stocks such as Tubacex, Altos Hornos and Olarra surged. The chemical sector was buoyed particularly by Cros, which shot up by 123 points or 10 percent.

In August, the value of all shares traded on the Madrid bourse amounted to 392.55 billion pesetas (\$3.25 billion), up from 117.86 billion pesetas in August 1986. Statisticians estimate that foreign investors account for about 25 percent of trading.

But some analysts fear that prices have risen too far too fast and that many new investors have bought indiscriminately. "Things have gone up very fast, and while some shares are fairly valued, others are overvalued by a long way," said a U.S. banker who asked not to be identified.

"Many stocks in weak companies have been bid up in the expectation of a takeover," he said. "If the takeover bid fails to materialize, then some of these shares sooner or later are going to plummet."

Juan Carlos, a director of the Spanish fund manager Asesores Bursatiles, said, "In recent days, the market's rise has begun to look overvalued. I would not be surprised to see a technical correction. But we still have a basis for a strong bourse performance till the end of the year."

More financial news on Pages 19, 21.

HK Firms Buy 4.9% Of C&W

Li Ka-shing Pays \$385 Million

HONG KONG — Li Ka-shing, the Hong Kong property developer, said Monday that three of his companies had bought 4.9 percent of British communications concern Cable & Wireless PLC for just under \$3 billion Hong Kong dollars (\$385 million).

The purchase, which surprised the British company, will be financed with rights issues totaling 10.3 billion Hong Kong dollars by four companies that Mr. Li controls. He said the remaining 7 billion dollars would be used for investments in Hong Kong, although he noted that the companies he controls are seeking further overseas acquisitions.

Although C&W has extensive interests in Hong Kong and China, analysts said the move was part of an effort by Mr. Li to diversify his assets overseas. This program was launched last year with the acquisition of a stake in Pearson PLC, the diversified British company, and Mr. Li's subsequent purchase of 43 percent of Esbaky Oil Ltd. of Canada.

Carlton L. Poon, research director in Hong Kong for James Capel (Far East) Ltd., said that although the rights issues totaled 10.3 billion dollars, cross holdings within the group meant that the net amount available for fresh investment would be only 6.6 billion.

The C&W purchase was made by Mr. Li's flagship property company, Cheung Kong (Holdings) Ltd., along with two affiliates, Hutchison Whampoa Ltd. and Cavendish International Holdings Ltd. In the rights issues, they will be joined by another group member, Hong Kong Electric Holdings Ltd.

Mr. Li said the purchase was "a straight investment — and it is a good investment — but I don't want to tie my hands by saying that we wouldn't want to increase our shareholding in Cable & Wireless." Under British government regulations, however, his stake would be limited to 15 percent.

Cheung Kong will raise 2.08 billion dollars by issuing one new share at 10.40 dollars for every 10 held. Hutchison Whampoa will raise 3.74 billion dollars by issuing one share at 11.20 dollars for every eight held, while Cavendish International plans a one-for-five issue.

See C&W, Page 19

A Soviet Bank Feels 2 'Big Bangs'

By Warren Gledler

International Herald Tribune  
LONDON — Sergey D. Konychev, like many a bank director in London's competitive financial district, is under pressure to produce bigger profits and dividend payouts.

"Naturally, our shareholders are more and more interested in the dividend issue," he said. "While 1986 was a good year, we're seeing some pressure to improve."

But the shareholders beseeching Mr. Konychev for a better bottom line are not Western private investors, insurance companies and pension funds, but the giant state banks of the Soviet Union.

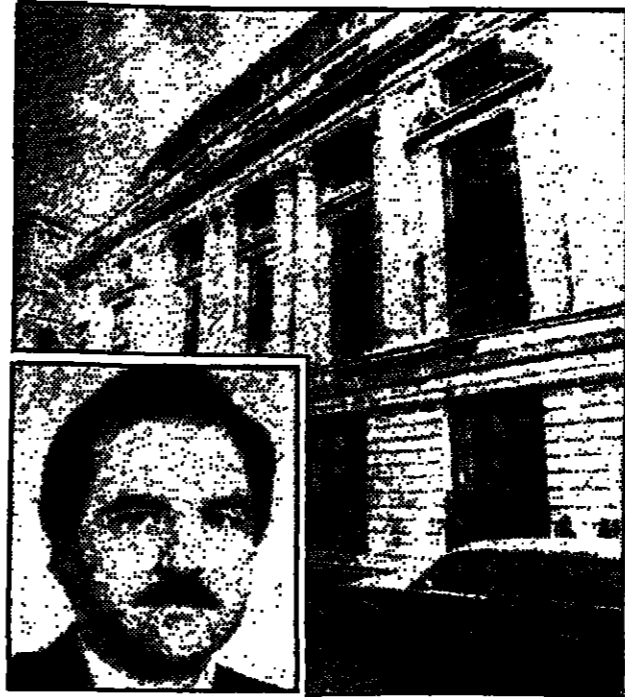
Mr. Konychev, 33, is one of six Soviet directors on the board of Moscow Narodny Bank Ltd., the Soviet Union's capitalist outpost in the heart of the City, London's financial district.

Situated around the corner from the Bank of England, Narodny has a reputation among its Western competitors as a sophisticated but conservative operator — not only in its core business of East-West export finance, but in the foreign exchange markets and in certain money-market operations.

These days, Moscow Narodny is being forced to take an increasingly competitive role that offers potential lessons for shareholders seeking foreign operators.

The new measures result from two "Big Bangs": not just the deregulation of London's financial markets, but also a bold effort to liberalize the Soviet economy.

"Moscow Narodny is a well-respected bank. Commensurate with its size, it is doing the kinds



The Moscow Narodny Bank in London and Sergey D. Konychev, one of the six Soviet directors on its board.

of things one would expect it to do," said Paul Winchester, who manages National Westminster Bank PLC's money-market dealing room.

Moscow Narodny, a fully licensed Soviet-owned bank specializing in East-West trade, has been based in London since it opened in 1919. It was not until 1975 that it opened a "branch office" in Moscow.

Of the handful of Soviet-owned bank and financial institutions operating in Western financial markets, Narodny is the largest player.

In the late 1950s, it took credit for becoming one of the first banks to take part in the now booming Eurodollar market in London, which involves placing dollar deposits with banks outside the United States.

Since London's "Big Bang" of deregulation in October 1986, Narodny has been striving to update its technology and keep pace with the sophisticated products that banks are offering international customers.

The bank, which currently employs a staff of 210 British non-See NARODNY, Page 21

OPEC Output Said to Fall as Consumers Balk

United Press International

NEW YORK — OPEC's surplus production is likely to drop by as much as 1.5 million barrels a day in September, primarily because consumers have been reluctant to buy the cartel's crude at official prices, an industry publication reported Monday.

OPEC production surged to a 12-month high of 19.6 million barrels a day in August even though the cartel agreed to limit output to 16.6 million barrels a day for the second half of 1987, Petroleum Intelligence Weekly said.

"A volume slide of as much as 1.5 million barrels a day for September is being reinforced by the refusal of producers to offer price discounts or other 'sweeteners' to maintain previous production, the weekly said.

Such a decline would reduce the output of the Organization of Petroleum Exporting Countries to 18.3 million barrels a day in September, including liquefied petroleum gas, according to preliminary estimates.

The journal said that most of the drop in September output was occurring in OPEC's Gulf countries, which were responsible for the entire surge in August output from July levels.

The authoritative oil journal said that "foot dragging by customers" who were reluctant to increase their purchases at official prices was

more responsible for the downturn in production than OPEC's plan to dispatch a high-level delegation to all 13 member states to urge them to curb excess output.

OPEC adopted the production ceiling of 16.6 million barrels a day for the second half in June with the aim of defending its \$18-a-barrel benchmark price.

Baker Presses Bonn on Growth

Reuters

WASHINGTON — Treasury Secretary James A. Baker said Monday that the seven major industrialized democracies would discuss a decline in West German economic growth at international meetings here later this month.

He noted that the system of economic surveillance recently developed by the so-called Group of Seven had revealed a slowdown in German growth.

He noted that German officials had pledged "that if their growth did not measure up to expectations they would be pleased to look at additional measures and prospects." Mr. Baker has argued that faster German growth would attract more U.S. imports, thus reducing the U.S. trade deficit.

He noted that the system of economic surveillance recently developed by the so-called Group of Seven had revealed a slowdown in German growth.

Italian Credit, Exchange Package Seen as Stopgap Measure

By David Brown

Special to the International Herald Tribune

ROME — The Italian government's emergency package of new credit and exchange policy regulations will tackle the symptoms but not the causes of a crisis in economic confidence, according to some analysts.

They also expressed concern that Italy has felt forced to compromise on its commitment to liberalize its foreign exchange and capital markets.

The package, announced Sunday, highlights growing worries in the financial community about the government's ability to tackle imbalances in the economy.

The new exchange controls are aimed at ending a run on the lira that was made possible by a relaxation of exchange controls in May and that forced heavy intervention by the central bank last week.

The new credit ceilings are aimed at putting a brake on the explosion in bank lending, which in August was running at nearly double the Bank of Italy's 8 percent target.

The entire package will remain in force until March 1988, when the outlines of the government's new budget proposal are clear.

The exchange rule, which prevents imports from paying for shipments in advance in lire and exporters from delaying foreign currency receipts, succeeded Monday in stemming the drop of the lire against major European currencies, most notably the Deutsche mark.

In Milan, the lire was fixed Monday at 721.75 to the mark, against 724.95 at Friday's close. Last Monday, the lire was fixed at 724.1.

Last week's central bank intervention, estimated by traders to have amounted to 2.5 trillion lire (about \$1.9 billion), failed because of widespread expectations of an imminent revaluation, which traders say has at least temporarily subsided.

"Now, I think we may even see a slight strengthening of the lire rate, said one foreign exchange trader at a major Italian bank, "but it's hard to say how long it will last."

But the reaction of the Milan bourse, which fell to a 1987 low on Monday, reflects an underlying concern about the basic direction of the economy, among other factors, analysts said. The MIB index closed Monday at 820, down from 834 on Friday and 18 percent down from the start of the year.

"These are stopgap measures," said an analyst in Milan. "The weakness on the stock exchange partly reflects concern that the economic fundamentals have not been addressed."

Among the biggest concerns are the budget deficit, which amounts to 11 percent of gross domestic product; the weakening terms of trade, and the national debt, which

is 88 percent of GDP, the output of goods and services minus income from operations abroad.

Meanwhile, Italy's room for economic maneuver seems to be decreasing. The latest exchange and credit policy measures come on the heels of a package, announced in August, of tax increases aimed at damping the growth in consumer demand.

Despite strong growth in GDP, which is estimated by the Organization for Economic Cooperation and Development at 3.25 percent this year, slowing to 2.5 percent in 1988, domestic consumption is still running at an unacceptably high level, economists say.

Imports in June were 18.7 percent higher in value than the year earlier, and both the merchandise trade and current account balances are weakening.

At the same time, both the one-time advantages of low oil prices and advantageous exchange rates have vanished.

See FRANCE, Page 21

Currency Rates

Table with columns for Currency, Rate, and other financial data.

Other Dollar Values

Table with columns for Currency, Rate, and other financial data.

Forward Rates

Table with columns for Currency, Rate, and other financial data.

Interest Rates

Table with columns for Currency, Rate, and other financial data.

Key Money Rates

Table with columns for Currency, Rate, and other financial data.

U.S. Money Market Funds

Table with columns for Fund Name, Rate, and other financial data.

Asian Dollar Deposits

Table with columns for Currency, Rate, and other financial data.

Gold

Table with columns for Location, Price, and other financial data.

Before Election, Chirac's Tax Cuts Are Seen as a Gift to Voters

By Jacques Neher

Special to the International Herald Tribune

PARIS — With his eye on winning the presidency next spring, Prime Minister Jacques Chirac is throwing a \$5.5 billion party for France's taxpayers, according to some economists.

The government has recently cut value-added taxes on a variety of consumer goods and services, and is expected to announce reductions in personal income and business taxes.

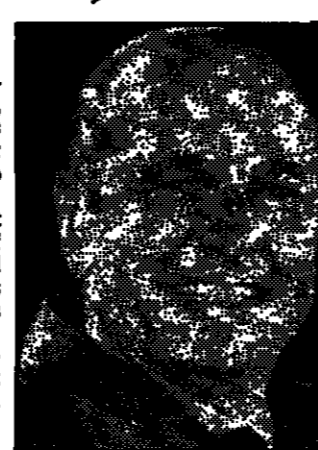
The economists say the tax package is to be included in the budget that Finance Minister Edouard Balladur will unveil on Wednesday, will prove popular with voters, although its effect on the otherwise moribund French economy may be limited.

As the economists point out, increases in social security contributions that began in May are likely to wipe out most of the savings provided by the tax cuts.

Nevertheless, the reductions in VAT rates over the past few weeks will reduce the prices consumers pay for cars, motorcycles, auto rentals, sound recordings, medicine and even carnival tickets.

And the new budget is expected to include provisions for decreases in personal income tax rates of 2 percent to 4 percent, with the biggest cuts going to middle-class households.

For business, the package is expected to include elimination of



Jacques Chirac

value-added tax on telephone services, dropping of a tax on overhead, reduction of fuel oil tax and new tax credits for investments in research and development. These are on top of a cut in the business profits tax rate to 42 percent from 45 percent in the 1987 fiscal year.

Together, these reductions are expected to lighten the tax burden on the French by more than 33 billion francs (\$5.46 billion) in 1988. They represent an acceleration of a program begun by Mr. Chirac's government after it came to power last year, and they will bring total tax cuts over the 1987 and 1988 fiscal years to at least 62 billion francs.

The VAT reduction on cars, from 33.3 percent to 28 percent, is expected to account for 6.2 billion francs off 1988 taxes, and few doubt its political value, particularly to the two million people expected to buy cars in the year.

"This clearly provides goodies for the electorate," said Paul Horne, international economist with Smith Barney Inc. "It will be very popular politically."

And Harold Van B. Cleveland, a retired Citibank economist who is now an economic consultant in Paris, said, "It's election politics."

"I see the tax cut as a political ploy for this government to use against the Socialists."

The lower VAT on cars, which goes into effect on Thursday, is expected to generate up to 80,000 additional sales this year.

The VAT reductions could also advance one of Mr. Chirac's priorities: protecting the purchasing power of the consumer.

Jean Chevrel, chief economist at Banque Indosuez, said the VAT cuts could knock as much as two-tenths of a point off France's 1987 inflation rate, which he now projects to be as low as 3.2 percent. The government has estimated that

inflation will surpass 3 percent this year.

"It's a way for the government to boost consumption without dramatically changing its wages policy," Mr. Chevrel said.

Wages increased at an average rate of 1.9 percent in the first half of 1987, according to INSEE, a government-funded economic forecasting agency.

Nevertheless, the tax program is expected to have little impact on France's internal growth, which many economists predict will be around 1.7 percent this year, a full percentage point under the government's projection of 2.7 percent at the time of the last budget, and perhaps 2 percent in 1988. The government now acknowledges that

See FRANCE, Page 21

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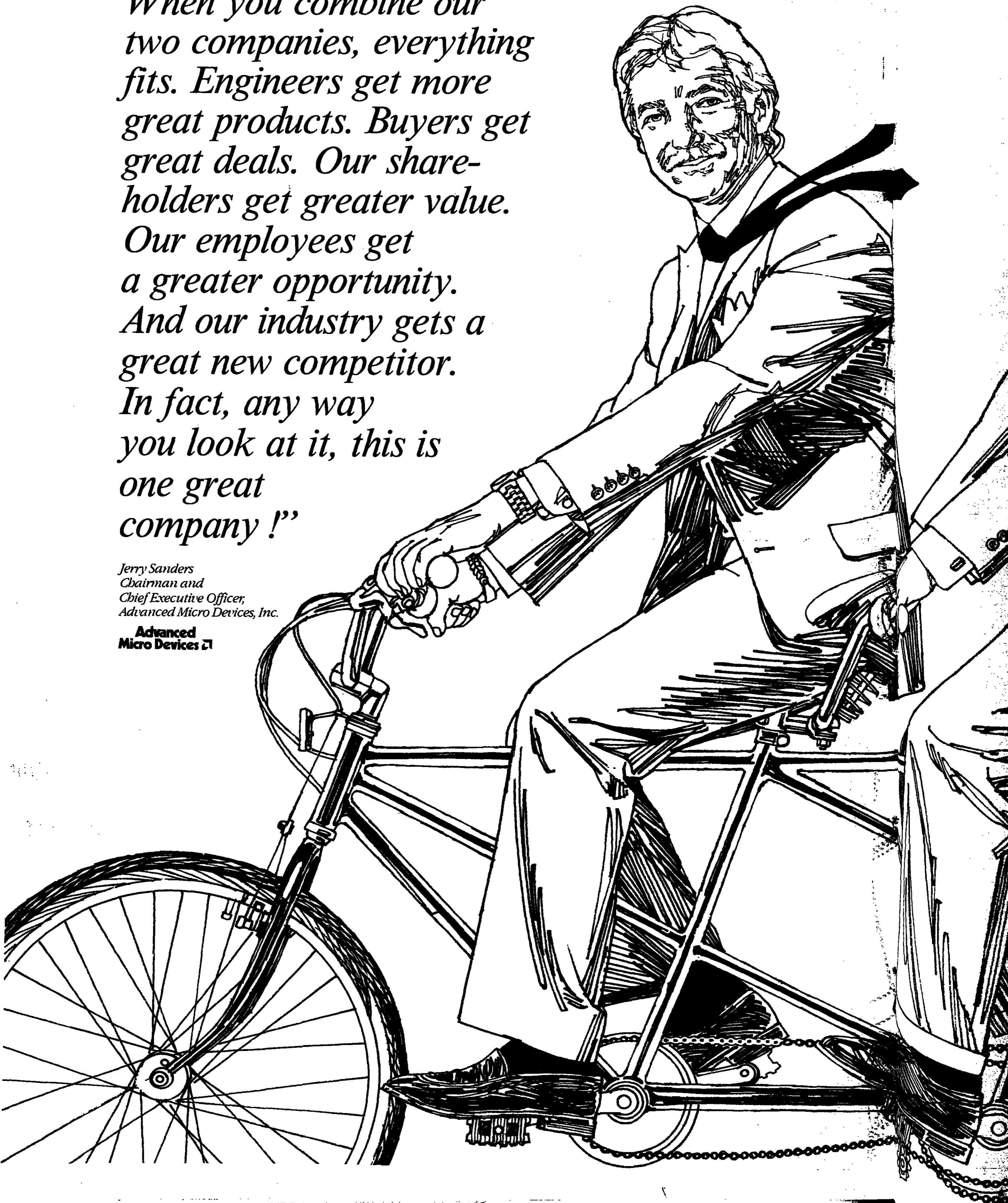
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# Luxembourg's Private Side

## Japanese Becoming Key Players

By Giles Merritt

**L**UXEMBOURG — Japanese banks in Luxembourg are getting stronger and stronger. Their balance sheets show that business is booming, and in number they are fast becoming one of the biggest national contingents in the Grand Duchy.

There are at present seven Japanese banks in Luxembourg, but with the likely arrival before the end of the year of three more — Sanwa Bank, Mitsubishi Bank and Mizui Bank — Japan will have overtaken Switzerland, France, Italy and Sweden to become No. 4 in Luxembourg banking.

The first Japanese bank, the Industrial Bank of Japan, arrived in Luxembourg in 1975 and since then a steady trickle of Japanese newcomers has followed. Now their names read like a mini-Who's Who of Japanese banking: Taiyo Kobe Bank, Fuji Bank, Nikko Securities, Bank of Tokyo, Dai-ichi Kangyo Bank and Sumitomo Trust and Banking.

The business that has attracted these Japanese banks to Luxembourg has changed, but the banks themselves have all achieved steady growth in their operations. The Bank of Tokyo, for instance, recently moved into three floors of spacious new offices in order to house a staff that has doubled to 40 people in the past 18 months.

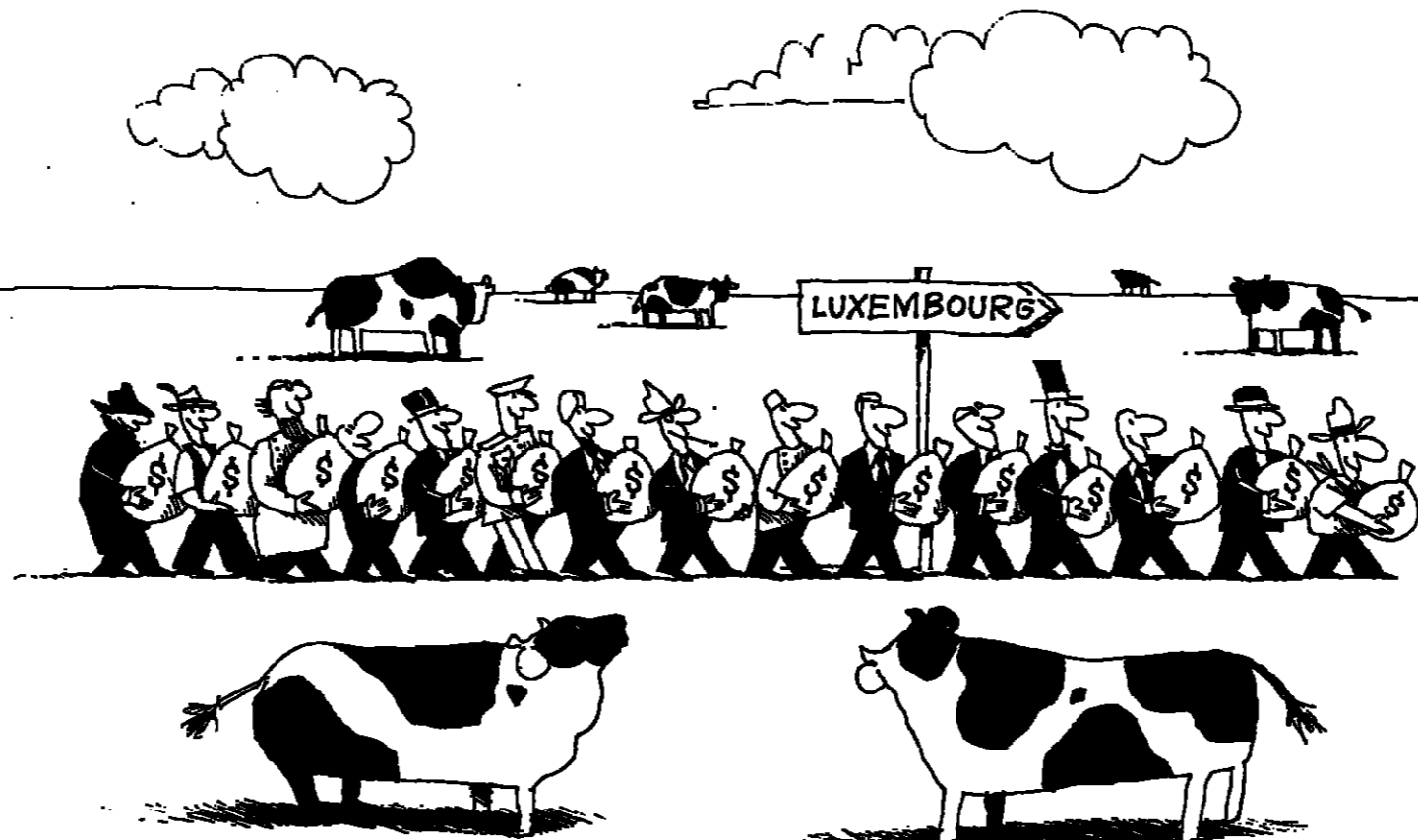
Initially, the Japanese came to Luxembourg to take advantage of its flourishing Euromarkets and syndicated loans sector, its easier lending limits and lack of reserve requirements. The story goes that the Industrial Bank of Japan had in fact planned to set up in West Germany, but a feasibility study showed that many German banks were at that point gravitating toward Luxembourg, so the bank followed suit.

Since then, the Grand Duchy's attractions for the Japanese have widened. Luxembourg's sympathetic attitude to the ways in which banks with substantial Third World loans outstanding can write-down these liabilities against tax has proved a substantial incentive.

Luxembourg allows banks to list such loans to Third World debtor nations at face value on the asset side of their balance sheets and also permits them to discount these "problem loans" on the liabilities side.

Pretax provisions against loans are much

Continued on page 16



## Duchy's Focus: Small Customer With Hefty Assets

"There is a lot of money in private hands looking for a safe haven."

By Giles Merritt

**L**UXEMBOURG — If Luxembourg were not so resilient and adaptable it would not be here today. This tiny parcel of 999 square miles (2,588 square kilometers) of land has remained an autonomous city-state for over 1,000 years and has somehow avoided being swallowed up by France or Germany. The same qualities that helped preserve its national identity are today permitting it to prosper as an offshore financial center.

Despite some damning changes in the nature of its bread-and-butter banking business, Luxembourg continues to prosper. The syndicated Euroloans that were the basis of its spectacular growth since the mid-1960s have slumped, both in volume and profitability, yet Luxembourg has not faltered.

In the same way that Luxembourg has adroitly switched the focus of its economy from steel to financial services, its banking community has been switching from syndicated loans to lucrative new areas like the management of private investors' fortunes, mutual funds and even reinsurance.

Treasury Minister Jacques Poos observes, with no little satisfaction:

"Banking accounts for 15 percent of gross domestic product, 7 percent of the total labor force and 20 percent of government revenue. It also transforms a trade deficit into a large current account surplus."

"We are all very optimistic nowadays," said Wolfgang Baertz, who heads Dresdner Bank's substantial operations in Luxembourg. In an interview, Mr. Baertz pointed out that 23 percent of his balance sheet is now made up of private deposits. "There is a lot of money in private hands that is looking for a safe haven," he noted.

Indeed, if the global economy were ever to grow at anything like the rate of the Luxembourg banking sector, the world would be a very different place. Year on year, apparently oblivious to the vicissitudes of economic conditions elsewhere, the Grand Duchy's banking community has been achieving impressive growth.

The combined balance sheets of the 122 banks in Luxembourg at the end of 1986 had risen by 5 percent over the year before to \$ trillion Luxembourg francs (\$200 billion). And according to Jean-Nicolas Schaus, a director of the Luxembourg Monetary Institute, the Grand Duchy's regulatory and central banking authority, once the effects of the dollar's plunging value last year are taken into account, the real increase in Luxembourg's banking business was 12 percent.

That rate of real growth, Mr. Schaus said, has been sustained throughout the 1980s. Indeed, the balance sheet total of the Luxembourg banks is today double the 4 trillion Luxembourg franc figure reached in 1980.

This year, too, has seen the same expansion, as well as the arrival of four more banks. The newcomers are Banque de Groef, the Belgian private bank; Baumann, of Switzerland; Nobis, a West German private banking

Continued on page 16

## Tracking the Funds Renaissance

By Edward Roby

**L**UXEMBOURG — Investment funds, which fell into disfavor in the decade of the seventies, have become a growth business in Luxembourg again.

Some 300 funds were listed on the Luxembourg Stock Exchange at the end of last year and 248 funds were organized under Luxembourg law. Their total assets are probably now approaching the level of 1 trillion Luxembourg francs (\$26.3 billion). The Luxembourg Monetary Institute reported that the 209 registered Luxembourg funds in existence in mid-1986 already had total assets of 882 billion Luxembourg francs.

The growth curve began rising in 1983, when the Grand Duchy passed a law that redefined the legal status of the funds and provided some new tax incentives for them. In that year, Luxembourg Monetary Institute statistics showed, there were only 99 registered Luxembourg funds with total assets of 303 billion francs.

Currently, said Jean Pierson, a member of the Banque Paribas (Luxembourg) executive board who specializes in funds and holding companies, there are "new ones starting up every week."

The renaissance of the funds industry obviously owes a lot to the global boom in stocks and bonds in the past couple of years. But it also coincided with the decline in Euromarket lending and the shift toward private banking in Luxembourg's financial center.

For Eurobanks seeking to develop their business with private customers, the investment fund offers a useful vehicle for investment managers and advisers to manage a large block of money economically without having to serve a large number of clients.

"Everybody is trying to put their private clients into funds," Mr. Pierson said. "You can see bankers at all the cocktail parties in the city, but the people at the funds are working."

He called the fund phenomenon a sign of the continuing "democratization of investment banking." Banque Paribas runs a diverse collection of 28 funds in Luxembourg and Mr. Pierson said the business is booming.

"Even with the fall of the dollar the value of investment fund assets was up by 65 percent at my bank in 1986," he said.

The bond market has cooled off this year and stocks could be heading for a correction after their record-setting performances. But Mr. Pierson predicted there will not be any crash for funds that are well managed, although he conceded "1987 is not going to be an easy year."

The assortment of funds is so diverse that some of them are bound to turn up winners, whatever happens. Offshore mutual investment funds dealing in gold stocks, for example, have been the hottest performers anywhere so far in this year of uncertainty.

Shares of some leading offshore gold funds have notched gains of well over 50 percent in the first quarter of 1987. Although gold itself has not shown anything near this spectacular rise, anxiety about the dollar, interest rates, inflation, the sovereign debt crisis and the outlook for international commerce is apparently stampeding capital into gold issues.

Continued on page 18

# MARKET MINDED

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Preserving Bank Secrecy Laws

Luxembourg Stands Up to OECD Giants

By Vivian Lewis

LUXEMBOURG—Luxembourg, small though it may be, has won a reputation for taking on the giants in international gatherings.

The Grand Duchy, joined with Belgium and the Netherlands in the Benelux currency union and a member of the North Atlantic Treaty Organization and the European Community, wins its way by convincing its friends through a good image and neighborliness.

But sometimes, when vital interests are at stake, the duchy can hold its own against Goliath-like diplomacy, such as derailing a recent attempt by powerful OECD members to relax its banking secrecy laws.

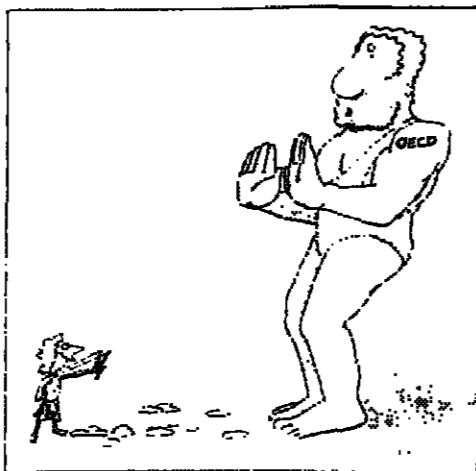
It is a founding member of the Paris-based Organization for Economic Cooperation and Development, which has 24 members, and the Strasbourg-based Parliamentary Assembly of the Council of Europe, with 21 members. These two international organizations voted in 1977 and 1978 to work together through the OECD fiscal affairs committee to improve tax collection.

Last year, the committee called for a vote by OECD member countries on a set of recommendations for curbing tax evasion. A key recommendation was to get rid of "unduly restrictive bank secrecy."

By tradition, an OECD recommendation can only advance out of committee if it is unanimously approved. Luxembourg took the lead in getting countries to block the recommendation and was eventually joined by Austria, Switzerland and Portugal. The committee staff, which since last year is no longer able to make recommendations but only "a summary of suggestions," has recently published a watered-down version of the original study. It cannot bind member governments to any action.

Luxembourg is in a particularly good position to take the lead in defending bank secrecy laws because its banks are not asking for any favors from the country that wants to get rid of them—the United States.

Since 1982, the U.S. authorities have pressured



Cloward de Vast

offshore tax haven countries in the Caribbean—Panama, the Bahamas, the Dutch Antilles, Bermuda, the Cayman Islands, the Turks and Caicos Islands—to agree to relax bank secrecy and to exchange tax information with the United States in order to get certain U.S. benefits.

In order to continue to operate subsidiaries in the United States, Swiss banks have had to lift bank secrecy on their operations in these havens. The Swiss parliament is soon to vote on a law to outlaw insider trading in Switzerland. This will make it possible to give foreign securities watchdogs, such as the U.S. Securities and Exchange Commission, details about stock transactions run from secret Swiss bank accounts.

The Swiss government ordered bank secrecy to be lifted regarding the assets of Ferdinand E. Marcos, the deposed president of the Philippines, and Jean-Claude Duvalier, the deposed president of Haiti. More recently, it forced banks to provide details about the use of Swiss bank accounts to finance funding of the Nicaraguan contras in possible violation of U.S. law, although not of Swiss law.

Switzerland, in order to operate its banking system internationally, is ready to cooperate; Luxembourg is not.

Because the OECD-Council of Europe attempt to get rid of bank secrecy laws has been derailed, the United States is having to work at a more limited level: with Britain, France and West Germany in the "Group of Four" and with Canada, Japan and Australia in the Pacific Association of Tax Administrators.

Banque Leu Case Tested Limits of the Law

By Vivian Lewis

LUXEMBOURG—The first dent in Luxembourg's strict bank secrecy law has occurred, in a situation that, fortunately, is very special and that is unlikely to set a precedent.

Banque Leu, the Luxembourg subsidiary of the Swiss bank, revealed that it held 40 million shares in Guinness PLC, a publicly traded British company making a takeover bid for another British firm, Distillers PLC. Purchasing the shares made Guinness's offer exchange more attractive during the bid.

The shares, now sold, were held under an arrangement with the parent Leu bank in Zurich on the Luxembourg bank's own books, against an undertaking to buy them back (and a deposit guarantee) from the bidder company.

Disclosure of this arrangement was authorized by the new management of Guinness after British authorities began investigating suspected bid irregularities. The client was a corporation, not an individual, whose board asked the bank to reveal its position.

In addition, Guinness shares were held by the Luxembourg bank rather than a client, and bank asset holdings are not protected by the Luxembourg secrecy law. Furthermore, according to Gerjard Haus, managing director of Luxembourg Banque Leu, "This operation was based on a relationship Leu had with Guinness in corporate finance. I don't think it had anything to do with private banking."

One reason for the confusion is that it was Leu in the Bahamas, after being authorized to do so by the Bahamian authorities, that cooperated with the U.S. Securities and Exchange Commission investigation of suspected insider trading by Dennis Levine, a Wall Street investment banker.

It is possible that the decision to cooperate with British investigators into the Guinness affair rather than testing the issue in Luxembourg courts resulted from Zurich management embarrassment at again being spotlighted.

According to Mr. Haus, "Under Luxembourg law, Luxembourg Banking Commis-

"This operation was based on a relationship Leu had with Guinness in corporate finance. I don't think it had anything to do with private banking."

sioner Pierre Jaans cannot do what the governor general of the Bahamas did, order a bank to cooperate with the SEC."

Under Luxembourg law, too, a bank that revealed client account information to a foreign agency without having been ordered to do so by a Luxembourg magistrate could be used in Luxembourg courts by the government as well as the client.

One result of the affair for U.S. citizens or resident clients at Luxembourg's Banque Leu, one French-owned bank and all U.S. banks in Luxembourg is that they are being required to sign a waiver if they want to work on Wall Street, agreeing to have banking secrecy lifted if they run afoul of the SEC.

"Depending on situation and circumstances," Mr. Haus said, a waiver of banking secrecy might also be required for other nationalities.

"If you get a waiver from a client he cannot sue you for having cooperated with the authorities," in a securities investigation, Mr. Haus said. "That still doesn't let the bank off for the breach of the Luxembourg banking secrecy statutes. Of course, the waiver does not refer to taxes. But it puts a client on notice that insider trading is not acceptable."

Mr. Haus said that "up to today we didn't have to be that tough. But the move is warranted. Things are stickier today."

The internationalization of securities

trading is the main reason for new concern over bank secrecy waivers. Stock markets can be manipulated by insider traders operating under cover of bank secrecy in foreign countries. But that is not the only foreign trend that is having an impact on Luxembourg.

"The 1992 unification of European Community capital markets will cause a real upheaval," predicted Lull Gillen, deputy director of Banque de Luxembourg, a private bank. "I hope we will be able to hold on as we have."

Mr. Lull thinks changes in bank ownership in Luxembourg indicate that foreign banks are getting set for increased competition in 1992.

The old stalwarts of banking in Luxembourg are also stressing private banking. The Germans, who used to use Luxembourg to site loans the Bundesbank would penalize them for making out of Frankfurt, now are shifting to retail banking services.

Underserved by Leu's misadventures, two Swiss banks have opened in Luxembourg recently: Banque de Depots and Banque Baumann. A Belgian private bank, De Groef, did the same. As many as six of the 11 new banking establishments by foreigners in Luxembourg in the last 18 months have been private banks. Existing Belgian, French and U.S. banks are also aiming to win high net-worth individual clients.

According to the bank regulators, about

90 of the 126 banks established in Luxembourg now seek private clients with a certain amount of money—usually starting at at least \$25,000—to be looked after. By pooling funds from many modest clients, a bank can make money even if each one of them has not brought in much more than the minimum. The problem is attracting enough funds to cover costs amid the increased competition.

However, now that the "Big Bang" has removed barriers to what business a brokerage firm may do in London, at least one British firm has closed in Luxembourg. James Capel International was never a very active member of the Luxembourg Stock Exchange and in May 1986, after being taken over by Hongkong and Shanghai Bank, it moved all its Eurobusiness to London. No other British institution has taken Capel's place although Barclays Bank is reported to be considering offering private banking in Luxembourg.

Deregulation elsewhere can be a threat to Luxembourg banking. As the EC moves toward opening up cross-border financial services, both the special advantages that Luxembourg offers and the relatively liberal regulatory climate will come under fire.

U.S. banks in Luxembourg, which already operate in London, are increasingly aiming at the private banking clientele in place of Euro-market business.

Oswald von Goertz, managing director of Chase Manhattan Luxembourg, heads the first New York bank to emphasize private banking in Luxembourg, now followed by Manufacturers Hanover and Citibank. Mr. von Goertz thinks there is a bright future for private customers in Luxembourg. "I think the pie is becoming larger," he said. "People never had a chance to accumulate so much wealth before. We haven't had 45 years of peace before in Europe. And there is less opportunity to do something with the money for people who are rich, but not rich to buy a yacht or a castle."

VIVIAN LEWIS is a financial journalist based in Washington D.C.

Duchy Focuses on Small Client

Continued from page 15

group, and Italy's Credito Romagnolo. Add to them the three Japanese banks that are due to reinforce the thriving Japanese banking community and the picture is rosier still.

Banks are far from being the only growth area. Luxembourg is developing into a broadly based financial center, due to the arrival of a steady stream of mutual funds and holding companies.

The number of mutual funds in Luxembourg has surged from 181 at the end of 1985 to 335 today, with a further 83 funds still awaiting official approval. The net asset value of these investment funds, meanwhile, has climbed to 1 trillion Luxembourg francs from a level of 600 billion Luxembourg francs in 1985 and 300 billion Luxembourg francs in 1983.

There are now more than 6,000 private holding companies operating out of Luxembourg, for the Grand Duchy's greater emphasis on portfolio management and the provision of financial and fiduciary services for the private investor has given rise to a sharp increase in the number of holding companies. What the value of their assets stands at is impossible to say, because almost invariably their holdings are off-balance sheet as far as the banks are concerned.

Luxembourg Monetary Institute officials say that the private investment sector is still relatively modest if compared to the Swiss banks' grip on the portfolio management sector. Yet bankers such as Marc-Hubert Henry of Kredietbank Luxembourg and Mr. Baertz of Dresdner Bank insist that Luxembourg is beginning to give Switzerland a run for the big private investors' money.

Luxembourg's highly competitive tax conditions have helped to keep costs and bank charges down and lure many investors to the Grand Duchy. There is no tax on interest income, dividends and capital gains, whereas Switzerland

charges a tax rate of 35 percent on interest income.

"For somebody with a middle-range income," said Mr. Henry, "Swiss costs have now become very high."

Mr. Baertz noted that private customers tend to get better service in the Grand Duchy. "A private customer with DM 1 million is very well treated in Luxembourg," he said, "yet in Switzerland he is still viewed as run-of-the-mill."

The boom in private banking was to a very real extent forced on Luxembourg's bankers. For the syndicated loans business, the activity that propelled Luxembourg from obscurity as a small provincial banking center into one of the brightest stars of the Euro-markets, is now stagnant and unwarding.

"Nobody can live on syndicated loans alone," Mr. Henry said. "The age of the Euro-banks is over." He explained that the unresolved problems of Third World and East European debt mean that the major borrowers of the 1970s are no longer able to raise Euroloans.

Mr. Baertz underlined the point. On the third floor of the Dresdner Bank building a long wall stands covered by framed "tombstone" advertisements that are now relics of that golden age. The borrowers are sovereign states, such as Poland or Mexico, or giant para-statal companies such as Brazil's nuclear power authority, and the latest date on the wall is 1982. "The squeeze on margins is such nowadays," Mr. Baertz commented, "that we don't bother too much with wholesale banking."

"For a handful of Triple-A names," he added, "it's a borrowers' market. But it certainly is not a lenders' market." Most of the West German and other European banks in Luxembourg have therefore concentrated more and more of their efforts on their retail activities, leaving syndicated loan business increasingly to both the American and Japanese banks in the Grand Duchy.

Luxembourg's share of the Eur-

omarkets sector is also more modest than in previous years. At the end of the 1970s, it accounted for 12.4 percent of all the syndicated Euroloans business reported by banks throughout Europe to the Bank of International Settlements in Basel. That has now slipped to 10 percent. "The emergence of centers such as Bahrain, Hong Kong and Singapore," conceded the ABBL, the Luxembourg Association of Banks and Bankers, "has greatly increased competition."

The nature of the Euro-market has also changed. Conventional syndicated loans sagged again last year, reaching a figure of about \$48 billion in all. Medium- and long-term credit facilities, the so-called classics, were increasingly replaced during 1986 by the new securitized tradable debt instruments.

The classics slipped to only \$90 billion from \$109 billion in 1985 and, at the same time, the securitized instruments also underwent change. The NIFs, or note issuance facilities, and the RUFs, or revolving underwriting facilities, which in the mid-1980s had been the darlings of the financial engineers, found themselves being pushed to one side by short-term Euro-commercial paper and by the latest arrival from U.S. markets, medium-term notes.

Meanwhile, the Luxembourg banking community's major problem is not the changing fashions in Euro-market instruments. It is the increasingly severe shortage of trained personnel in the Grand Duchy. The banks are finding themselves the victims of their own success.

GILES MERRITT is a journalist based in Brussels.

Japan Banks

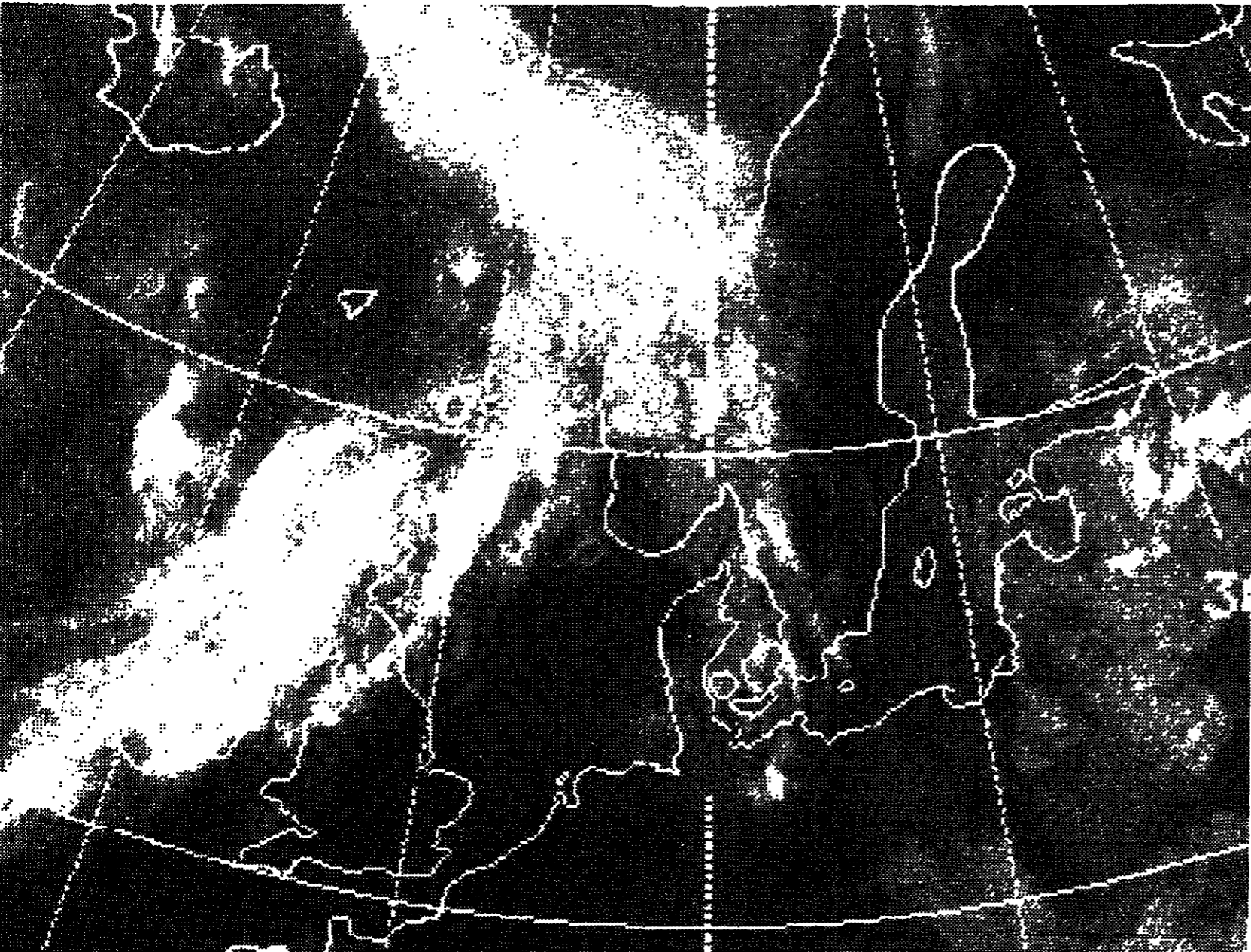
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stricter in Japan and in many other countries. The result, of course, is considerable tax savings for the banks if for bookkeeping purposes they switch these loans to their Luxembourg company.

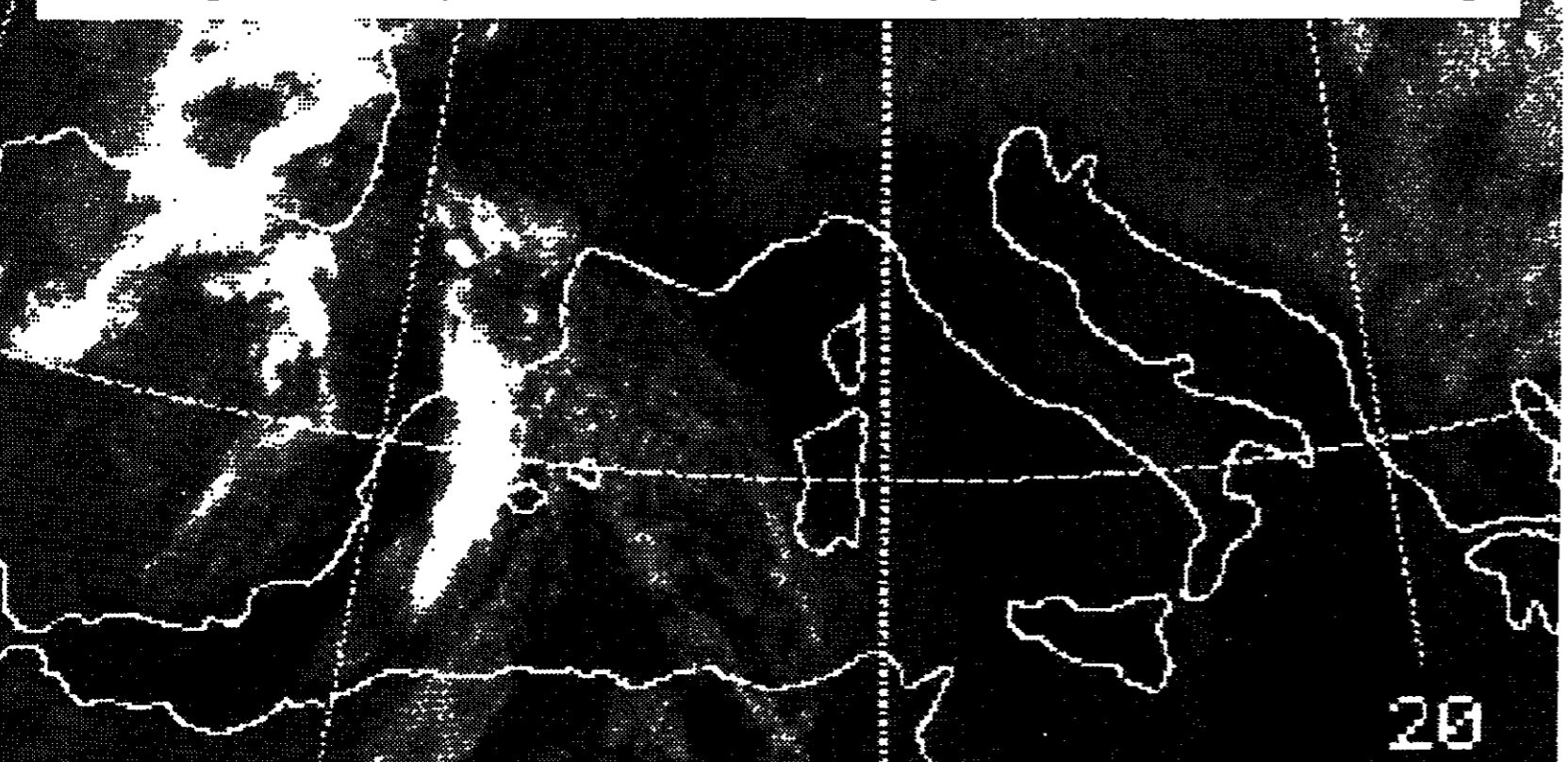
It is, however, Luxembourg's importance as a center for the management of investment funds that is now drawing the Japanese at an accelerating rate. Its central location and its administrative and communications strengths makes it an attractive base for Japanese fund managers.

Major Luxembourg-based banks, such as Kredietbank Luxembourg and Banque Internationale à Luxembourg, offer excellent portfolio management facilities for Japanese securities houses, such as Nomura and Daiwa. Indeed, only Nikko Securities currently runs its own fund management operation in Luxembourg. For the most part, Japanese investment experts come to Luxembourg and use local facilities and expertise to carry out their investment decisions.

How substantial this growing activity actually is remains unclear. The Japanese institutional funds being managed in Luxembourg are not included in the banks' balance sheet totals, and the volume of money involved in the "off-balance" business is not known. Officials at the Luxembourg Monetary Institute, the country's regulatory authority that serves as its central bank, indicate that the amounts involved are considerable.



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Switch for

By Edward Roby
LUXEMBOURG—Providing financial services to wealthy private customers was a key business in Luxembourg at the start of the 1980s. Now private banking has grown to a level that has prompted Deutsche Bank to invest in its strictly wholesale strategy. The bank's potential rewards prompted Deutsche Bank to invest in its strictly wholesale strategy, permitting its Eurobank subsidiary to offer private borrowers and suppliers credit to private borrowers and suppliers in the Luxembourg financial center. The bank's potential rewards prompted Deutsche Bank to invest in its strictly wholesale strategy, permitting its Eurobank subsidiary to offer private borrowers and suppliers credit to private borrowers and suppliers in the Luxembourg financial center.

Italian Inflation

By Hubert Hallenstein
MILAN—Most Italian banks now operating in Luxembourg consider the Italian currency and banking system measures as high-priority. The consensus is that expansion can only increase business in Luxembourg at the short and medium term. The Italian monetary policy decided to abolish a 15 per cent interest-bearing deposit and to liberalize Italian investment. The measure ends 12 years of wide-ranging export restrictions.

Advertisement for Deutsche Internationale Bank, featuring the text 'Deuts Intern' and a logo.



Foreign Presence on Rise

Switch for Eurobanks

By Edward Roby

LUXEMBOURG — Providing financial services to wealthy private customers was a mere footnote to the bustling Euro-market banking business in Luxembourg at the start of this decade. Now private banking has grown so big here that it invites comparison to Switzerland.

wholesale banking focus. Employment with the center's banks rose last year to 11,598 from 10,213 the previous year, and Treasury Minister Jacques Poos recently identified the training of staff for the banking center as "one of the major challenges."

Deposits from nonbanks were up 21 percent in the first 11 months of last year to more than 100 billion Deutsche marks (\$50.6 billion). The pace of growth in this area was double that of the previous year.

Jürgen Lemmer, managing director of Commerzbank International, said his Luxembourg Commerzbank subsidiary has been offering private banking services since 1972 but that this business really began to blossom in 1980. That was the year he said that Commerzbank decided to handle all gold investments for its West German clients from Luxembourg.

Luxembourg, unlike West Germany, does not levy a value-added tax on gold transactions. Thus a German investor can buy and sell gold certificates, for example, in absentia through the Luxembourg subsidiary of his West German bank without being subject to the double-digit VAT.

Mr. Lemmer described this business as "extraordinarily good" and "very expensive." Commerzbank International's customer deposits grew to 3.5 billion Deutsche marks at the end of last year from 2.5 billion Deutsche marks in 1985, he said. This is 20.5 percent of the bank's balance sheet total of 17 billion Deutsche marks.

DG Bank International, the Luxembourg subsidiary of Deutsche Genossenschaftsbank, doubled its nonbank deposits last year to 1.1 billion Deutsche marks, a spokesman for the Frankfurt parent bank said.

BFG: Luxembourg, a unit of West Germany's Bank für Gemeinwirtschaft, is another Eurobank that handles private accounts and is preparing to offer its private clients portfolio management. The bank, which has total assets of about 9.5 billion Deutsche marks and ranks within the top 15 Eurobanks in Luxembourg, accepts savings deposits in all major currencies in the equivalent of at least 50,000 Deutsche marks, precious metals accounts worth at least 10,000 Deutsche marks and securities accounts.

Italian Influx Expected With Deregulation

By Dalbert Hallenstein

MILAN — Most Italian banks now operating in Luxembourg consider the latest Italian currency and banking deregulation measures as highly positive. The consensus is that deregulation can only increase their activities in Luxembourg at least over the short and medium terms.

Ten of Italy's largest banks are now operating in Luxembourg and two others have been given permission to trade in Luxembourg by the Italian and local monetary authorities.

"Our business is continually increasing in volume," said Corrado Amari, deputy director in Luxembourg of the Rome-based Banca Nazionale del Lavoro, Italy's largest trading bank. "Deregulation," he said, "can only have the effect of increasing Italian banking activity here in Luxembourg."

Most of Italy's mutual funds and more than 1,000 Italian holding companies are represented or situated in Luxembourg, which is much admired in Italian financial and banking circles for its operational efficiency as well as its rigidly enforced bank secrecy laws.

During a trip to northern Italy in June to promote Luxembourg as a center for sophisticated small and medium-sized high-tech industries, Prince Henri of Nassau, the heir to Luxembourg's head of state, said that "it's true that our advantages, in terms of the freedom of movement of capital, will eventually undergo change as a result of EC currency and banking deregulation."

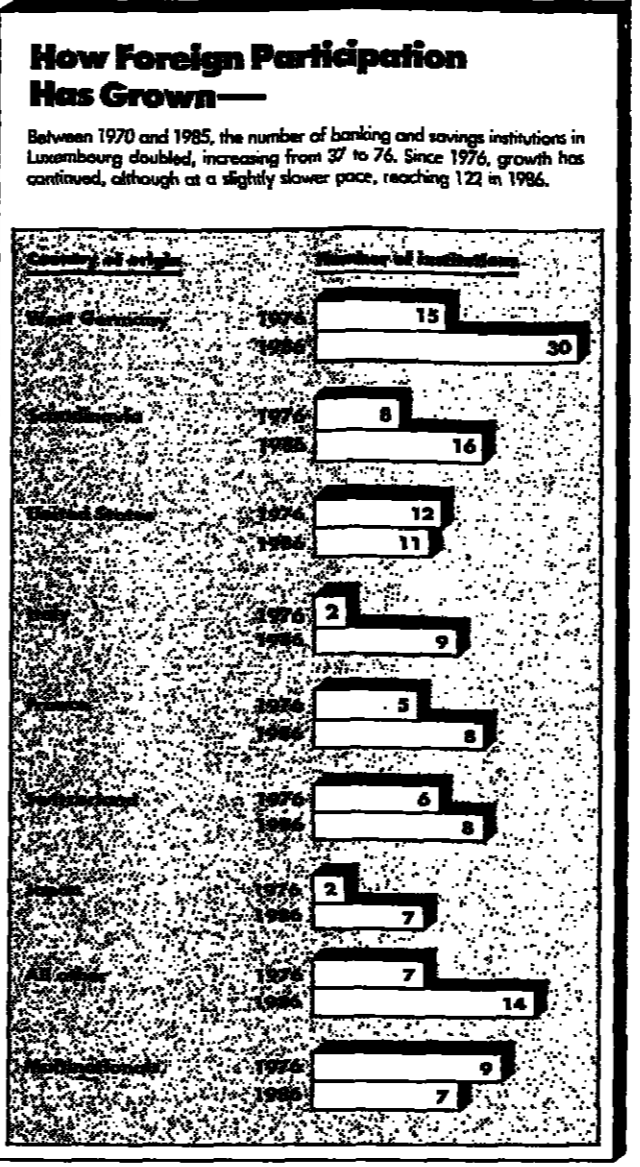
He added, however, "that the future of Luxembourg cannot be left purely in the hands of high finance, but must also have a dynamic productive sector."

"The fact is," said Mr. Amari of the Banca Nazionale del Lavoro, "that the smaller Italian banks lack the experience for operating on the international equity and bond markets and will use Luxembourg's banking and financial facilities increasingly."

An executive of another major Italian bank in Luxembourg, the Turin-based Istituto Bancario San Paolo, thinks that Italian deregulation will lead to a new influx of smaller-sized Italian banks.

"London is more expensive than Luxembourg as far as operative costs are concerned," he said. "For a smallish Italian bank with little experience abroad, Luxembourg represents smaller running costs and involves fewer professional risks."

DALBERT HALLENSTEIN is a Milan-based journalist and a contributor to The Sunday Times.



Between 1970 and 1986, the number of banking and savings institutions in Luxembourg doubled, increasing from 37 to 74. Since 1976, growth has continued, although at a slightly slower pace, reaching 122 in 1986.

Nordic Bank Contingent Earns Its Independence

By Michael Metcalfe

COPENHAGEN — For the 16 Nordic banks with operations in Luxembourg, forming the second largest regional contingent after the West Germans, 1987 is turning out to be a year of going from one strength to another.

If 1986 was marked by expansion, integration and consolidation, this year will see the Scandinavians further developing their traditional lines of banking business, while not losing sight of the goal of launching new products and services.

Over the past decade or more, each of the banks from Denmark, Finland, Norway and Sweden has proved adept in creating a special place for itself in the fiercely competitive Luxembourg banking scene, adapting their corporate policies to meet a more specialized and more discerning demand from clients.

However, some common threads run through the reasons behind the Nordic banks' presence in Luxembourg.

"Clearly, the main development characterizing the Nordic banks in Luxembourg over the past five years or more has been the trend away from serving exclusively as a booking installation for their parent banks and toward coming into their own as fully fledged independent banking operations," said Ole Røed, managing director of Bergen Bank International S.A., one of the Norwegian banks represented in the Grand Duchy.

The virtual elimination or scaling-down of regulations in most of the Nordic countries prohibiting domestic banks from extending foreign currency loans to domestic corporations has brought a change in the policy direction of their Luxembourg subsidiaries.

No longer compelled just to book loans for their corporate clients in the Nordic area, the Luxembourg units were free to expand their activities into other banking areas, including private banking, portfolio management, mutual and investment funds.

The area of private banking has proved lucrative because, whereas bank deregulation and financial market liberalization have removed many of the barriers to Scandinavian corporate banking, relatively severe foreign exchange controls restricting the flow of capital by individuals of the Nordic countries still remain in place.

But the private banking services of the Nordic subsidiaries are not just restricted to expatriate Scandinavians living out their days on the beaches of Spain or Portugal.

"We have widened our private investment banking services not only to encompass expatriate Danes but into offering a broad spectrum of private banking, including currency deposits, Euro-market instruments of all varieties, investment advisory services, portfolio management and fiduciary services," noted Jan Kristensen, managing director of Privatbanken International (Denmark) S.A.

Expansion in Privatbanken's case during 1986 was marked by an increase in its Luxembourg staff from 44 to 62, as well as a move into larger premises from the start of this year.

The same developments apply to many of the other Nordic subsidiaries, including Finland's Kansallis International Bank S.A. and Norway's Christiania Bank Luxembourg S.A.

But the most striking proof that the Scandinavian banks' presence in Luxembourg is far from saturated is the arrival of a newcomer to the Nordic fold.

As of January this year, First Nordic Bank S.A. opened its doors on Luxembourg's Grand Rue. And, according to the managing director, Bjorn Bergesen, "the bank is running well and according to expectations." With initial fully-paid-in capital of 550 million Luxembourg francs, and currently employing 16, the new bank is clearly embarked on a course of expansion.

Its shareholders are made up of a group of Norwegian and Danish savings and commercial banks, financial institutions and private investors. "We have tried to avoid the consortium banking concept, which has failed in the past," Mr. Bergesen said.

First Nordic Bank's two main goals lie in investment banking and merchant banking. As well as the priority of building up the bank's customer deposit base over the first two years of the bank's operations, it will try to spread the net of its corporate clients.

First Nordic Bank is not the first bank from the region to have a composition of shareholders from the various Nordic countries. Banque Norddeurope S.A. (BNE) is made up of Danish, Finnish and Swedish central banks acting for the respective countries' savings banks.

Well into its 14th year of operations in Luxembourg, BNE has adopted the strategy of diversifying its activities with the aim of offering a comprehensive range of banking services, consequently benefiting from several diversified sources of income.

In line with this strategy, BNE, in the financial year 1986-1987 ended March 31, substantially increased its activities in securities, foreign exchange and private banking and, according to its annual report, "made good progress in redirecting its lending towards specialized and more profitable forms of financing."

Branching out into new areas of financial activity has also encompassed the fast-growing investment fund sector. Several of the Nordic banks based in Luxembourg have added this to their banking services.

Finnish banks are also well represented in the Grand Duchy, including subsidiaries of Kansallis-Osake-Pankki and Union Bank of Finland, which primarily serve Finnish corporate clients rapidly expanding their activities overseas, but which also participate actively in the Eurobond markets and are building up their private banking networks.

For the Swedish banks, including Skandinaviska Enskilda Banken, Svenska Handelsbanken and PKBanken, maintaining subsidiaries in Luxembourg means primarily meeting the financing requirements of Swedish companies and their network of subsidiaries abroad.

While banking in Luxembourg will become an increasing challenge for the Nordic banks represented here, it appears more than likely that they are here to stay. "I don't think Nordic banks will become superfluous in Luxembourg," said Mr. Kristensen of Privatbanken International.

MICHAEL METCALFE is a journalist based in Copenhagen and a correspondent for Business International.

Advertisement for DGZ International, featuring the text 'DGZ International. Your link to the Euromarkets.' and 'Deutsche Girozentrale International S.A.' with contact information in Luxembourg and Frankfurt.

Advertisement for Banque Générale du Luxembourg, featuring the text 'LUXEMBOURG a strong position in the heart of Europe' and 'Banque Générale du Luxembourg is one of the oldest and largest banks of Luxembourg.' Includes an image of a building and contact information.

Expanding Insurance Markets

Active 'Captives' Go After Big Business

By Giles Merritt

LUXEMBOURG — Luxembourg's financial engineers are hard at work developing a profitable new area of activity. They are building a "captive" reinsurance sector, and in the process they are beginning to attract the insurance business of giant American corporations that previously was a Bermuda specialty.

A captive insurance company in an offshore banking center sounds like a business marooned and held prisoner. The less romantic truth, of course, is that it is an insurance or reinsurance company that has been set up by a large corporation solely to cover the risk exposures of that company. In short, it provides in-house insurance. A company can make substantial savings by paying insurance premiums to itself and then reinsuring.

The growth in captive insurance operations has been remarkable in recent years. So much so that about 200 of the companies ranked in the Fortune 500 list today have at least one captive insurer, and the total number of captive companies is now put at more than 2,000.

It is estimated that captive insurance companies account for about 15 percent of all industrial premium income. And although captives have been a feature of the insurance business since the 1950s, spiraling insurance costs since 1985 have provoked a great deal of fresh interest in them.

Luxembourg has mounted a determined bid to woo captive insurers away from offshore reinsurance centers like Bermuda and the

Cayman Islands. It has created an attractive tax environment for captive reinsurance operations, and this, combined with high operating costs in Bermuda, has resulted in a switch toward Luxembourg.

Companies that have established their own captive insurance operations in Luxembourg include Volvo, Philips NV, Saab, Banque Nationale de Paris, Ericsson, Asea, Atlas-Copco, Alfa-Laval and Electroflux. Scandinavian companies have traditionally dominated Luxembourg's captive insurance sector. However, now that there are 43 captives in the Grand Duchy, with another 21 awaiting official approval, the Scandinavians are losing their dominance.

Among the insurance companies that have set up reinsurance operations in Luxembourg are Royal Belge, Swiss Life and the Mutuelle Générale Française d'Accidents. Significantly, the major New York insurance underwriters, American International Group, has also moved to start a Luxembourg reinsurance operation.

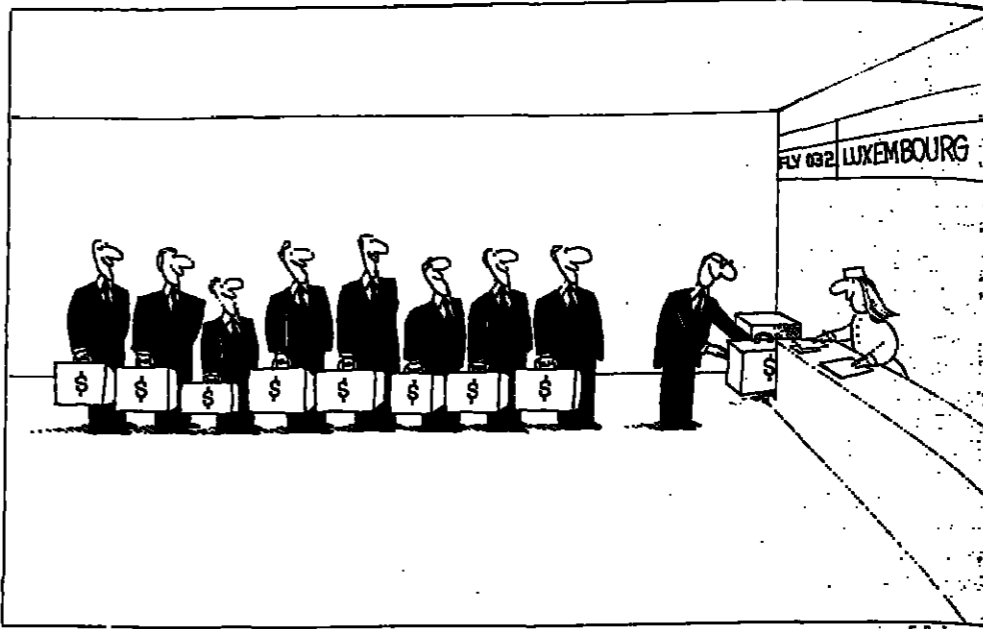
Luxembourg has had its eye on the potentially lucrative captive

insurance sector since 1979, but it was not until 1984 that it began to compete in earnest with the other captive centers. In March 1984, it put into effect a law aimed at offering attractive tax conditions to insurers.

To obtain Finance Ministry permission to set up a reinsurance company in the Grand Duchy, the law stipulated a minimum paid-up capital of 50 million Luxembourg francs (132 million). However, for captive reinsurance operations that capitalization requirement was lowered to 6 million francs.

The solvency margin requirements were also made very attractive to captives. The minimum of funds to be set aside as a technical reserve was established at only 5 percent of annual net reinsurance premium income, as against the 10 percent minimum required of standard commercial insurance operations.

Luxembourg is very anxious to stress, however, that these fiscal carrots represent only a small part of its attractions for reinsurance captives and all other types of financial operation. For example, the authorities point to the free movement of capital in and out of



the Grand Duchy and to the presence of extremely sophisticated banking and investment services.

Luxembourg's insurance commissioner, Victor Rod, has emphasized that there are three specialist "risk management" firms in the country that offer investment advice and reinsurance expertise to companies that domicile their captives here.

The advantages of establishing a captive reinsurance operation are claimed to be considerable. Richmond Risk Consultants, a Dutch-owned firm that is one of the specialist management companies mentioned by Mr. Rod, says that about a third of the insurance premiums paid by a company can be saved by operating a captive. For every million guilders paid

in premiums, calculates Richmond, "an insured party will only receive back approximately 650,000 guilders in claims; the remaining 350,000 guilders going towards the cost of the insurer's operations, including acquiring costs (commission), the maintenance of large offices and staff, other expenses and a provision for the shareholder's dividends."

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Continued from page 15

But investment in less speculative mutual funds has been quite rewarding enough in recent years. A Paribas fund that invests in Deutsche mark bonds, for example, has earned an average of around 10 percent a year in the period 1981-1986, Mr. Pierson said.

Most Luxembourg investment funds are still denominated in dollars, but there are now funds to be bought in practically all important currencies. Stocks and bonds are standard fund assets but there are all kinds of other specializations. People can invest in technological innovation, venture capital, money market instruments of various currencies, Pacific area securities, real estate, energy or art, to name a few.

"If we don't sell one, we'll sell another," said Mr. Pierson. "We have a fund for each segment of the market; a product for each investor."

Foreign investment funds fell into disfavor with the investing public at the start of the 1970s

Three Indicators of Growth

Despite the confidential nature of private banking, which makes expansion difficult to quantify, some signs clearly point to growth.

- 1. Labor: Banking has become more labor intensive, suggesting a shift away from wholesale banking. Bank employment rose to 11,398 in 1986 from 10,213 in 1985.
2. Deposits: Deposits from non-banks were up 21 percent in the first 11 months of 1986, to more than 100 billion Deutsche marks. The pace of growth was double that of the previous year.
3. Income: Fee income as a proportion of bank earnings is rising. Some estimates put it at 50 percent for commercial banks and at least in double digits for the Eurobanks.

with the collapse of the Swiss-based Investors Overseas Services funds, which were launched by Bernie Cornfeld. Some countries reacted to the debacle by enacting regulations that effectively hobbled the international marketing of fund shares.

By 1980, there were only 76 Luxembourg investment funds with combined assets of 118 billion francs. Then the new law that streamlined taxation policy, set clear regulatory guidelines and created the SICAV, or variable capital investment fund option,

cleared the way for the fund revival two years later.

The 1983 law drew a distinction between funds and holding companies, which also enjoy broad tax dispensations but are barred from investing in certain types of assets. Funds were then free to concentrate on things like financial futures, commodities, real estate and venture capital.

The SICAVs, mutual investment funds and other investment funds that are organized under foreign law or as fixed-capital Luxembourg corporations, are subject by the 1983 law to supervision of the Luxembourg Monetary Institute, which has some of the functions of a central bank.

All three types are exempt from income taxes and withholding taxes on dividends. They pay a one-time fee of 50,000 francs when organized and an annual subscription tax of 0.06 percent on net assets thereafter. A depository bank is responsible for asset custody and management supervision of the mutuals. External audits are required and rules and policies are prescribed.

By creating a fiduciary arrange-

ment or a Luxembourg holding company, a private, restricted investment vehicle can be structured outside the supervision of the Luxembourg Monetary Institute.

Luxembourg banks can offer fiduciary services that operate like trusts. Holdings, which are restricted by law to the administration of financial assets, are taxed on the basis of net worth rather than income. There are currently around 6,500 such holding companies registered in Luxembourg.

Like the funds, holdings are exempt from withholding tax on dividends and there is no tax on the proceeds of liquidation and no inheritance tax for the heirs of non-resident stockholders. They pay an initial registration tax of 1 percent of capital and an annual subscription tax of 0.2 percent on equity. A holding company can issue bonds amounting to 10 times its capitalization.

The formal legal framework, supervision and favorable tax treatment make Luxembourg funds particularly attractive to international investors. "People are looking for a legal status and they are looking for a safe country because they eventually have to sell," said

Mr. Pierson, who described Luxembourg as "more conservative, credible and respectable" than those exotic tax havens like the Cayman Islands.

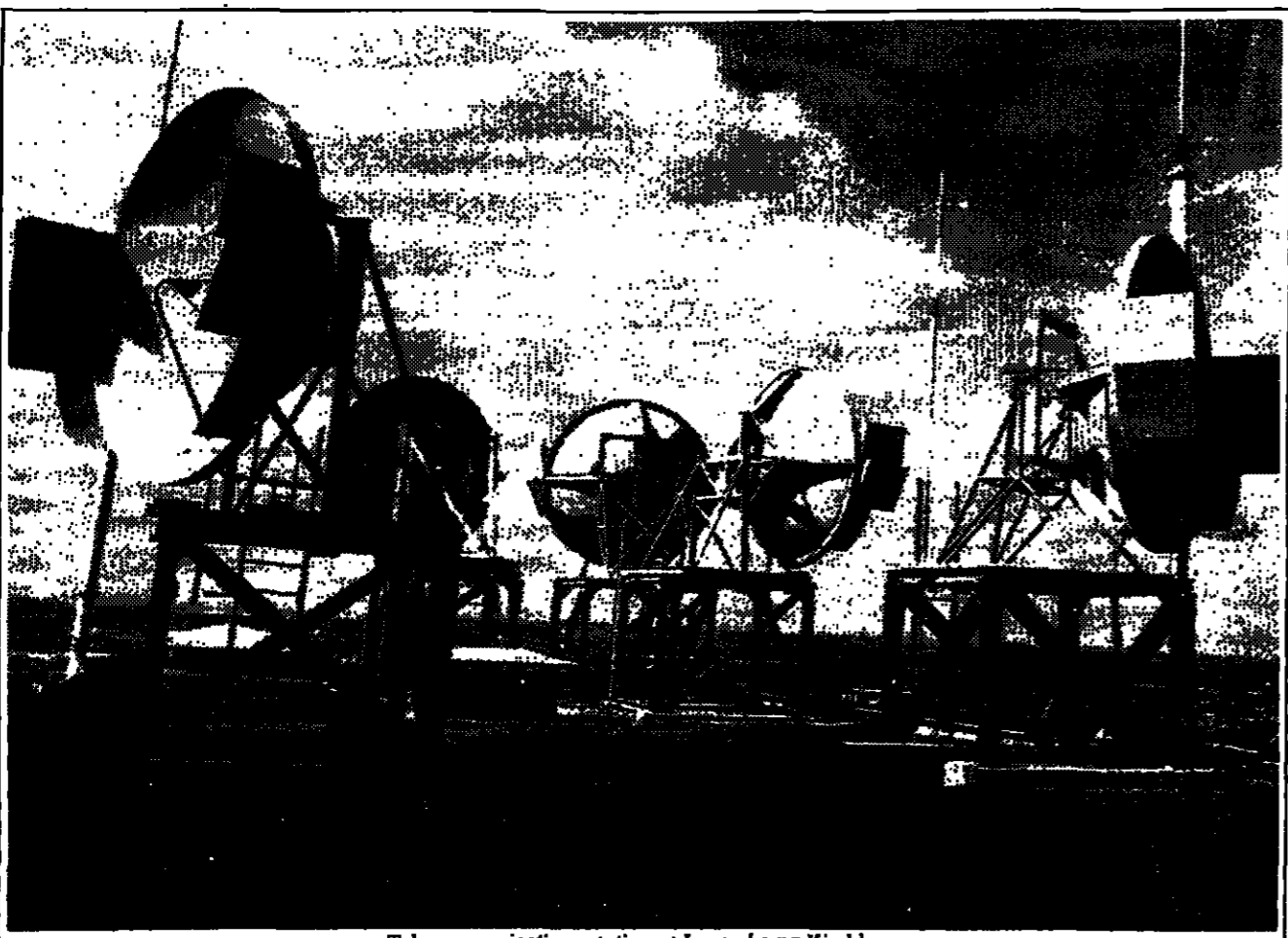
Luxembourg's image of solidity is bolstered by the presence of 30 many well-known, highly respected banks that provide logistical support for the funds, Mr. Pierson said. But he said the Luxembourg authorities are always willing to listen to serious people who come to the Grand Duchy with a new investment idea.

A European Community directive that seeks conformity by Oct. 1, 1989, in the laws of the 12 member countries on the cross-border marketing of investment funds may be giving Luxembourg another sort of advantage over other offshore centers for investment funds. Luxembourg is a full EC member and those funds that hope to eventually crack new EC national markets might find it prudent to position themselves in the Grand Duchy ahead of time.

EDWARD ROBY is the Bonn bureau chief of United Press International.

Global Boom in Stocks Keeps the Funds Renaissance Going

Global boom in stocks keeps the funds renaissance going. Luxembourg investment funds have seen a resurgence in popularity due to global stock market growth. The text continues with details on fund performance, regulatory changes, and the role of Luxembourg as a financial hub.



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Vertical text on the right edge of the page, including 'Business Roundup', 'Chemical to Cut', 'Telefonica to Increase 1988 Spending', 'Soybean Buying', 'United Press International', 'Li Group Buys', and 'FOREIGN RESERVE'.

BUSINESS ROUNDUP

Chemical to Cut Staff, Take a Charge

CLEVELAND — Chemical New York Corp. said Monday that it planned to cut its work force by 10 percent, or about 2,100, and sell several businesses to strengthen its performance.

Chemical and other major banks have been faced with increasing pressures on their earnings and capital because of losses on loans to the energy and agricultural sectors and heightened competition from nonbank institutions.

Telefonica to Increase Capital For 1988 Spending Plans

PARIS — Spain's semipublic phone company is planning to increase its capital soon to help finance investment in 1988 totaling about \$2.65 billion, company officials said Monday.

Times Mirror Agrees to Sell Denver Post to Media News

DENVER — The Times Mirror Inc. said Monday that it had agreed to sell The Denver Post to an affiliate of Media News Group Inc. of Dallas for \$95 million.

Whitbread Buys Distiller for £170 Million

LONDON — Whitbread & Co., the British brewer, said Monday that it had agreed to acquire the James Burrough PLC distiller for about £170 million (\$280 million).

Shearson Is Eliminating 150 Jobs in London

LONDON — Shearson Lehman International, an arm of the big investment bank, is cutting 150 from its staff of 1,400 in London, a company spokesman said Monday.

Ferruzzi Buying Central Soya Co.

RAVENNA, Italy — Gruppo Ferruzzi said Monday that its holding company, Ferruzzi Agricola Finanziaria, had agreed to acquire Central Soya Co. for around \$170 million.

Jacobs Suchard Reports 14.5% Rise in Revenue

ZURICH — Jacobs Suchard AG said Monday that group revenue rose 14.5 percent to 2.9 billion Swiss francs (\$1.95 billion) in the first half and it expected an increase in profit for 1987.

Fermenta Backs TRI Bid

STOCKHOLM — Fermenta AB, the troubled Swedish biotechnology company, said Monday that its board had recommended approval of a new offer by Trans Resources Inc. for its foreign units.

SEC Zeroes In on a Takeover Tactic

WASHINGTON — The Securities and Exchange Commission is expected to take a step this week toward abolishing a controversial tactic used in corporate takeovers.

Sony's Interest in Video Software Led to Talks on CBS Records

TOKYO — Sony Corp. said Monday that its attempt to buy the records group of CBS Inc. would enable it to acquire video software, one of Sony's main goals.

Dalgety Reports 23% Profit Rise

LONDON — Dalgety PLC said Monday that pretax profit rose 23.3 percent to \$92.5 million (\$128 million) in the year to June 30, from \$75 million the previous year.

FUERZA AREA ARGENTINA - ARGENTINE EMBASSY

SALE OF "BURROUGHS B-7821 COMPUTER EQUIPMENT COMPONENTS" F.A.A. invites Argentinian & foreign companies, dealers, suppliers, mixed companies and manufacturers, foreign governments to present offers according to the BID N° 01/87 - DGA.

Chemical Bank Home Loans

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Li Ka-shing

government, which dematerialized C&W in 1981, maintains a "golden share" that can block any foreign takeover.

Fidelity Pacific Fund S.A.

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS
October 15, 1987
Please take notice that the Annual General Meeting of Shareholders of Fidelity Pacific Fund S.A. (the "Corporation") will take place at 2:00 p.m. at the Corporation's principal office, Pembroke Hall, Pembroke, Bermuda, on October 15, 1987.

NEW ISSUE KIGA INDUSTRIES PLC

(Incorporated under the laws of the United Kingdom)
Offer for Subscription under the laws of the United Kingdom of up to 2,500,000 Ordinary shares of 25p each at 110p

Foreign & Colonial Reserve Asset Fund

Table with columns for fund types and prices. Includes entries for US Dollar Cash, Multi-Currency Cash, Dollar Bonds, Multi-Currency Bonds, Sterling Bonds, Devischmark Bonds, Yen Bonds, Dollar Bonds, Sterling Equity, US Equities, Japanese Equities, Global Equities, Sterling Cash, and Gold.

Li Ka-shing

Some share analysts believe Mr. Li's interest in C&W stems from the British company's controlling interest in Hong Kong Telephone.

Features of the System

The Kiga Series 500 Processing Plant has been successfully tested in an assembly line environment and has proven beyond question its ability to: Process the following food groups without radiation: Fruits, Cereals, Grains, Seafood, Vegetables and Meat.

Li Ka-shing

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**Monday's AMEX Closing**

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Via The Associated Press

| 12 Month High | Low | Stock | Div. Yld. PE | 52 High | 52 Low | Open | Close | Chg. |
|---------------|-----|-------|--------------|---------|--------|------|-------|------|
| 12            | 11  | ABT   | 1.18         | 11      | 11     | 11   | 11    | 0    |
| 12            | 11  | ABT   | 1.18         | 11      | 11     | 11   | 11    | 0    |
| 12            | 11  | ABT   | 1.18         | 11      | 11     | 11   | 11    | 0    |

| 12 Month High | Low | Stock | Div. Yld. PE | 52 High | 52 Low | Open | Close | Chg. |
|---------------|-----|-------|--------------|---------|--------|------|-------|------|
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| 12            | 11  | ABT   | 1.18         | 11      | 11     | 11   | 11    | 0    |

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|---------------|-----|-------|--------------|---------|--------|------|-------|------|
| 12            | 11  | ABT   | 1.18         | 11      | 11     | 11   | 11    | 0    |
| 12            | 11  | ABT   | 1.18         | 11      | 11     | 11   | 11    | 0    |
| 12            | 11  | ABT   | 1.18         | 11      | 11     | 11   | 11    | 0    |

| 12 Month High | Low | Stock | Div. Yld. PE | 52 High | 52 Low | Open | Close | Chg. |
|---------------|-----|-------|--------------|---------|--------|------|-------|------|
| 12            | 11  | ABT   | 1.18         | 11      | 11     | 11   | 11    | 0    |
| 12            | 11  | ABT   | 1.18         | 11      | 11     | 11   | 11    | 0    |
| 12            | 11  | ABT   | 1.18         | 11      | 11     | 11   | 11    | 0    |

| 12 Month High | Low | Stock | Div. Yld. PE | 52 High | 52 Low | Open | Close | Chg. |
|---------------|-----|-------|--------------|---------|--------|------|-------|------|
| 12            | 11  | ABT   | 1.18         | 11      | 11     | 11   | 11    | 0    |
| 12            | 11  | ABT   | 1.18         | 11      | 11     | 11   | 11    | 0    |
| 12            | 11  | ABT   | 1.18         | 11      | 11     | 11   | 11    | 0    |

| 12 Month High | Low | Stock | Div. Yld. PE | 52 High | 52 Low | Open | Close | Chg. |
|---------------|-----|-------|--------------|---------|--------|------|-------|------|
| 12            | 11  | ABT   | 1.18         | 11      | 11     | 11   | 11    | 0    |
| 12            | 11  | ABT   | 1.18         | 11      | 11     | 11   | 11    | 0    |
| 12            | 11  | ABT   | 1.18         | 11      | 11     | 11   | 11    | 0    |

**Dollar Rebound**

The dollar rebounded from a low of 142.55 on Monday, New York, after a record low of 142.55 on Friday. The dollar's recovery was helped by a report that the Federal Reserve would raise its discount rate to 10% on September 15.

The dollar's recovery was also helped by a report that the Japanese government would raise its discount rate to 5% on September 15. The Japanese government's move was seen as a response to the Federal Reserve's move.

The dollar's recovery was also helped by a report that the European Central Bank would raise its discount rate to 10% on September 15. The European Central Bank's move was seen as a response to the Federal Reserve's move.

**INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 14th Sept. 1987**

| AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP |
|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP |
| AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP | AL-AMAL GROUP |

Be sure that your fund is listed in this space. Telex MATRONS 613359P for further information.

**AMEX High-Lows**

Table showing high and low prices for various stocks on the AMEX exchange.

**Floating-Rate Notes**

Table showing floating rate notes with their respective interest rates and maturities.

**Dollars**

Table showing exchange rates for various dollar-denominated currencies.

**Pounds Sterling**

Table showing exchange rates for various pound sterling-denominated currencies.

**Deutsche Marks**

Table showing exchange rates for various deutsche mark-denominated currencies.

Source: Credit Suisse-First Boston Ltd., London.

CURRENCY MARKETS

Dollar Rebounds on Short-Covering

NEW YORK — The dollar rebounded Monday in New York and Europe amid continued short-covering after Friday's news of a record \$16.47 billion U.S. trade deficit.

Table with 3 columns: Currency, Bid, Ask. Includes London Dollar Rates, Deutsche Mark, Swiss Franc, etc.

The dollar rebounded Monday afternoon to break through what was described as a resistance point of 1.8225 DM in Europe. It subsequently fell back to trade steadily at around its closing levels of 1.8175 DM.

Dealers said that further attempts to push the currency higher were likely soon. One trader said the upward limit for the dollar at around 1.83 DM, with a very strong support level on the downside at 1.79 DM.

NARODNY: For Soviet Bank in U.K., 2 'Big Bangs'

(Continued from first finance page) The dollar failed Monday afternoon to break through what was described as a resistance point of 1.8225 DM in Europe.

Officials said a large slice of Narodny's profit came from trading in the London currency market, but they declined to provide a figure.

FRANCE: Cuts Viewed as Political

(Continued from first finance page) Also critical of Mr. Chirac's financial policies is Pierre Bergé, socialist minister under the former Socialist government.

The tax reduction package, the economists suggest, may serve to soften the blow expected later this fall when a special commission delivers its report on how to bail out the country's nationalized health insurance and retirement system.

MATIF Sets New Contract

BURGENSTOCK, Switzerland — After two postponements, bond options contracts will begin trading in early November on Franco's financial futures market, its chairman said Monday.

Italy Issues Bonds For \$1 Billion

LONDON — Italy borrowed \$1 billion in the international bond market on Monday, making one of the largest issues ever of Eurobonds, according to the investment bankers Credit Suisse First Boston Ltd., who arranged the deal.

Recent Soviet Legislation Aimed at Promoting Joint Ventures

Recent Soviet legislation aimed at promoting joint ventures between Western companies and ministries in the Soviet Union has created an attractive new niche for the bank.

TOSHIBA: U.S. Firms, Fearing Repercussions, Lobby Against Import Ban

(Continued from Page 1) parts supplied by the Japanese company, sources in government, industry and Congress said.

with Toshiba and other foreign high-technology companies are so complex and intertwined that there is virtually no way to avoid serious economic damage.

The administration is opposed to the sanctions.

Monday's OTC Prices. NASDAQ prices as of 4 p.m. New York time. Via The Associated Press.

Table with columns: High, Low, Stock, Div. Yld., Sales in 1986, High, Low, 4 P.M. CLOSING. Lists various OTC stocks.

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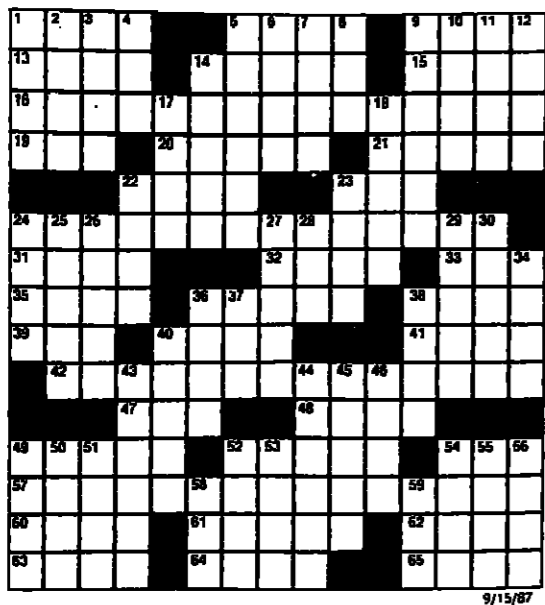
Table with columns: High, Low, Stock, Div. Yld., Sales in 1986, High, Low, 4 P.M. CLOSING. Lists various OTC stocks.

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Monday's AMEX Closing. Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.



**ACROSS**

1 Salver  
5 Comic Wilson  
9 Family name  
13 Ship's creation  
14 Occupation  
15 First-floor apartment  
16 Words from John Lyly  
19 Second-highest pinocchle card  
20 Gold of "Benson"  
21 Tooth: Comb. form  
22 Price  
23 Fashionable resort  
24 Words from George Herbert  
31 Event for Irwin  
32 Carol  
33 Utter  
35 Superman  
36 Throb  
38 TV's Hawkeye  
39 Period  
40 Flatfish  
41 Twins or socks, e.g.  
42 Words from Robert Burton  
47 Corn unit

**DOWN**

1 Taunt  
2 Deserve  
3 Related  
4 Nod's meaning  
5 Snowman of song  
6 Papa of TV's "Mama"  
7 In a lazy way  
8 Foot: Comb. form  
9 As... gold  
10 many words  
11 "I've... to London..."  
12 Borscht  
14 Contort  
17 Cupid  
18 Actor in "Fiddler..."  
22 Penny  
23 Snick and...  
24 Jab  
25 Verdi work  
26 Mercenary  
27 Creek  
28 Help!  
29 Moslem faith  
30 Gymnast  
31 Comaneci  
34 Word with arm or stick  
36 -- Clare (nun)  
37 Rubber tree  
38 Mimirick  
43 Clergyman  
44 Goller's posture  
45 Arterial trunk  
46 Pro...  
48 Filled with reverence  
50 Call  
51 Moran of "Happy Days"  
52 Clog-dancer  
53 Maximum  
54 -- Misbehavin' --  
56 By... (mechanically)  
58 Recognized  
59 Tea anagram  
59 Petrol

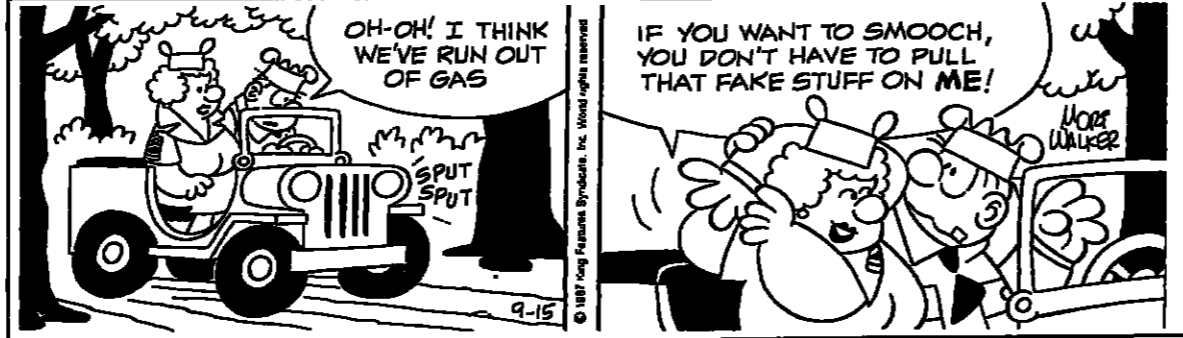
PEANUTS



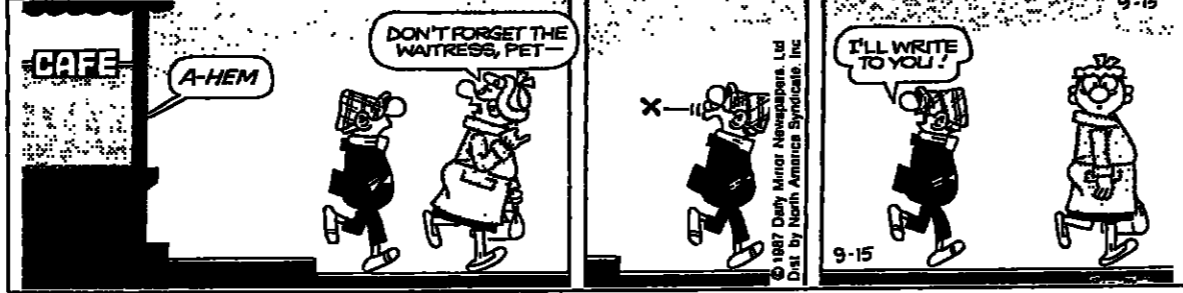
BLONDIE



BEEBLE BAILEY



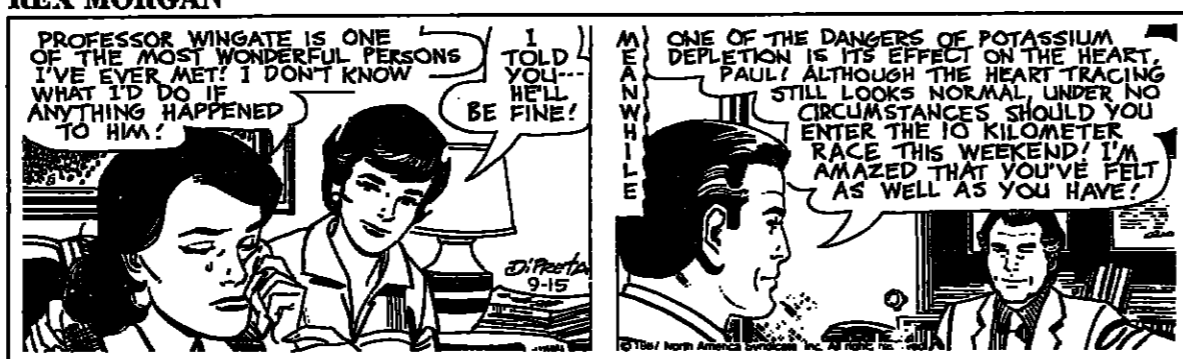
ANDY CAPP



WIZARD OF ID



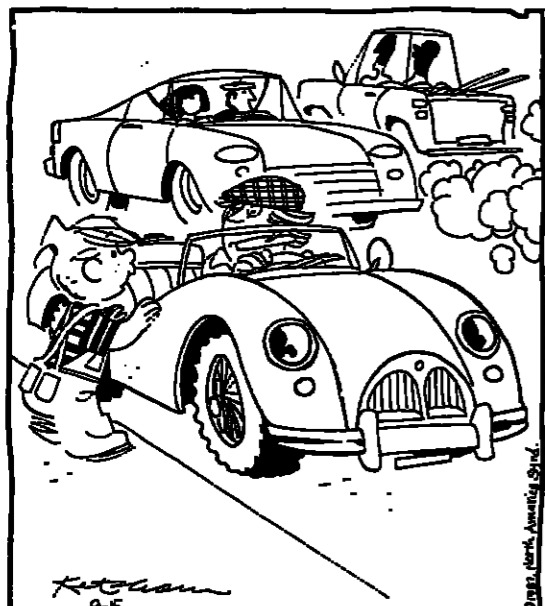
REX MORGAN



GARFIELD



DENNIS THE MENACE



JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

**NABOR**  
O O O O O

**EAZUG**  
O O O O O

**ELYSEP**  
O O O O O

**CLEMUS**  
O O O O O

Print answer here: O O O O O

WEATHER

| EUROPE     | HIGH | LOW | ASIA         | HIGH | LOW |
|------------|------|-----|--------------|------|-----|
| Aberdeen   | 6    | 2   | Beijing      | 24   | 17  |
| Amsterdam  | 11   | 7   | Bombay       | 30   | 23  |
| Antwerp    | 11   | 7   | Buenos Aires | 27   | 18  |
| Birmingham | 16   | 11  | Calcutta     | 31   | 24  |
| Boston     | 18   | 13  | Chengde      | 27   | 18  |
| Brussels   | 16   | 11  | Chongqing    | 27   | 18  |
| Cardiff    | 15   | 10  | Chongqing    | 27   | 18  |
| Copenhagen | 15   | 10  | Chongqing    | 27   | 18  |
| Dublin     | 15   | 10  | Chongqing    | 27   | 18  |
| Frankfurt  | 15   | 10  | Chongqing    | 27   | 18  |
| Geneva     | 15   | 10  | Chongqing    | 27   | 18  |
| Hamburg    | 15   | 10  | Chongqing    | 27   | 18  |
| London     | 15   | 10  | Chongqing    | 27   | 18  |
| Madrid     | 15   | 10  | Chongqing    | 27   | 18  |
| Moscow     | 15   | 10  | Chongqing    | 27   | 18  |
| Paris      | 15   | 10  | Chongqing    | 27   | 18  |
| Rome       | 15   | 10  | Chongqing    | 27   | 18  |
| Stockholm  | 15   | 10  | Chongqing    | 27   | 18  |
| Vienna     | 15   | 10  | Chongqing    | 27   | 18  |
| Zurich     | 15   | 10  | Chongqing    | 27   | 18  |

World Stock Markets

| Market    | Index | Change |
|-----------|-------|--------|
| Amsterdam | 3250  | +15    |
| Bombay    | 1250  | +10    |
| London    | 2800  | +12    |
| Paris     | 1800  | +8     |
| Stockholm | 1200  | +5     |
| Sydney    | 1500  | +7     |
| Tokyo     | 2200  | +15    |

BOOKS

DUKE ELLINGTON

By James Lincoln Collier. Illustrated 340 pages. \$19.95. Oxford University Press, 200 Madison Avenue, New York, N. Y. 10016.

Reviewed by Michiko Kakutani

"I THINK the artist's true position is that of an observer," Duke Ellington once declared. "Personal emotion could spoil his piece of resistance." Certainly his autobiography, "Music Is My Mistress," published back in 1973, purveyed a portrait of an aloof, willfully private individual. This new biography by James Lincoln Collier, a jazz critic, not only reinforces this picture of Ellington, but also argues that his decorous detachment—his tendency to stand apart from family and friends, his need to manipulate people from a polite distance—indelibly shaped his working methods and the nature of his compositions.

the central melodies, too, frequently "originated in somebody else's head."

"Given all this," Collier continues, "we are entitled to question not just whether Ellington was America's greatest composer but whether he was a composer at all."

Such conclusions are bound to be controversial, and Collier tries to ground his arguments carefully in close readings of individual compositions. But whether or not one agrees, the volume remains interesting in the light of Ellington's work methods and the aesthetic motifs and patterns of his compositions.

Though he makes few efforts to penetrate Ellington's cool, masklike demeanor, Collier succinctly sketches in the musician's greatest middle-class childhood in Washington, which would endow him with a lasting sense of class and racial pride; his lengthy apprenticeship as a musician and composer; his successes at Cotton Club, on the road and in Europe; his putting together of "the classic Ellington band" (which included Joe "The Boss" Henderson, Cootie Stark, Lawrence Brown, Harry Belafonte and Bigard) in the '30s; and his gradual dissolution in the late '40s. He puts Ellington's career in perspective with the problems faced by other blacks in the entertainment industry, and states his achievement within the context of changing fashions in jazz.

Like many critics, Collier believes that Ellington's finest work was done in the three-minute form (which resulted in such pieces as "Black and Tan Fantasy," "Daybreak Express," "Concerto for Cootie" and "Ko-Ko"), that his longer, concert pieces suffered from a lack of musical ingredients. Collier, however, credits Ellington with creating "the musical machine" that produced over 3,000 compositions, he also contends that "the provenance of much of the work is obscure." He notes that many of the contrapuntal or answering lines in well-known works were suggested by members of the band, and that

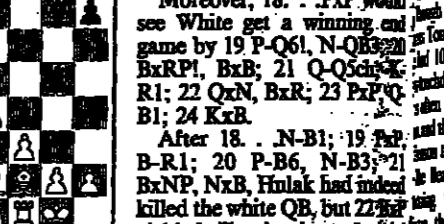
Solution to Previous Puzzle

|        |         |       |
|--------|---------|-------|
| DAFT   | GLAD    | MOTE  |
| AVOID  | LOPE    | LOBB  |
| DUCE   | ONELINE | ERS   |
| ERR    | DUB     | BIASE |
| PLICE  | PHASE   | GORE  |
| PAUSE  | PHASE   | PHASE |
| BRUI   | SLAT    | TEMP  |
| ERS    | SATIRES | TOU   |
| OHAR   | BUCK    | PAGAN |
| CRONE  | MIGHTY  | QUAR  |
| SPINET | HALTIE  | INN   |
| BIB    | SEVENTH | IRON  |
| EVADE  | KEEL    | VILE  |
| RILES  | IDLE    | ENDS  |
| PLAT   |         |       |

CHESS

By Robert Byrne

Chess position after 13... P-Q3



ONE cannot let brashness be the prerogative of youth. It is too important a commodity. Even those like Anatoly Karpov, who have a penchant for conservative, error-free play, must realize it is conducive to draws. Moreover, forever being careful, with the idea of exploiting the opponent's mistakes can have a deadening effect on one's play.

Either Viktor Korchnoi understands this or he just gives greater rein to his innate creativity, because his play, at the age of 36, is no less audacious than it was 30 years ago. Observing the novel approach Korchnoi took against the King's Indian Defense put forth by the Yugoslav grandmaster Krumoslav Hulak in the 10th round of the Interzonal Tournament in Zagreb, Yugoslavia, he boldly allowed his QB to be trapped and then ingeniously showed that he could recover equivalent material plus a winning position for it.

It is typical of Korchnoi's versatility that he is just as much at home in the Samisch or the King's Fianchetto Variations as he is in the Classical B-K2, which he chose this time.

The development 7... N-B3, in putting more pressure on the center than the chief alternative, 7... Q-N2, encourages White to advance 8 P-Q4, which brings about a sharp, two-edged position. One can see the issue clearly after

12... P-KN4: White will use his advantage in space on the queen's wing for attack there with P-Q5 as soon as possible, while Black will attempt a mating attack with the counter-breakthrough... P-KN5.

Usually White furthers his plan with either 13 N-Q3 or 13 P-Q4, but Korchnoi revealed something new and brash with 13 N-N5!

After 13... P-Q3 (maybe Black, willy-nilly, should have tried 13... P-N3), Korchnoi's starting strategy 14 N-R7, thus not only obtaining the bishop-pair, but also eliminating the minor piece that gives Black the vital boost in... P-KN5.

But what about Hulak's 14... R-N3; 15 B-R, P-N3, trapping the venturesome white bishop? The battle of this game was how Korchnoi retrieved it.

Thus, on 18 R-B1, it would have been futile for Black to play 18... Q-R1 in view of 19 P-P, NxBP; 20 R-N1, P-R; 21

Giants Versus Super Gamers

By Frank Litsky  
New York Times Service

On paper, it was a mismatch. The New York Giants, who won the last Super Bowl, were the Chicago Bears, who won the Super Bowl. They had a 14-2 record in professional football last season and may be the people concerned with the game's future.

Tomczak was a world-class player in the last two Super Bowls. He was the NFL's MVP in 1985. He was the NFL's MVP in 1985. He was the NFL's MVP in 1985.

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SCOREBOARD

| League   | Team      | Score |
|----------|-----------|-------|
| Baseball | Red Sox   | 5-3   |
| Baseball | Yankees   | 4-2   |
| Baseball | Phillies  | 3-1   |
| Baseball | Braves    | 2-1   |
| Baseball | Pirates   | 1-0   |
| Baseball | Mariners  | 0-0   |
| Baseball | Giants    | 0-0   |
| Baseball | Bears     | 0-0   |
| Baseball | Reds      | 0-0   |
| Baseball | Indians   | 0-0   |
| Baseball | Angels    | 0-0   |
| Baseball | Astros    | 0-0   |
| Baseball | Padres    | 0-0   |
| Baseball | Blue Jays | 0-0   |
| Baseball | White Sox | 0-0   |
| Baseball | Twins     | 0-0   |
| Baseball | Rangers   | 0-0   |
| Baseball | Mariners  | 0-0   |
| Baseball | Giants    | 0-0   |
| Baseball | Bears     | 0-0   |
| Baseball | Reds      | 0-0   |
| Baseball | Indians   | 0-0   |
| Baseball | Angels    | 0-0   |
| Baseball | Astros    | 0-0   |
| Baseball | Padres    | 0-0   |
| Baseball | Blue Jays | 0-0   |
| Baseball | White Sox | 0-0   |
| Baseball | Twins     | 0-0   |
| Baseball | Rangers   | 0-0   |
| Baseball | Mariners  | 0-0   |
| Baseball | Giants    | 0-0   |
| Baseball | Bears     | 0-0   |
| Baseball | Reds      | 0-0   |
| Baseball | Indians   | 0-0   |
| Baseball | Angels    | 0-0   |
| Baseball | Astros    | 0-0   |
| Baseball | Padres    | 0-0   |
| Baseball | Blue Jays | 0-0   |
| Baseball | White Sox | 0-0   |
| Baseball | Twins     | 0-0   |
| Baseball | Rangers   | 0-0   |
| Baseball | Mariners  | 0-0   |
| Baseball | Giants    | 0-0   |
| Baseball | Bears     | 0-0   |
| Baseball | Reds      | 0-0   |
| Baseball | Indians   | 0-0   |
| Baseball | Angels    | 0-0   |
| Baseball | Astros    | 0-0   |
| Baseball | Padres    | 0-0   |
| Baseball | Blue Jays | 0-0   |
| Baseball | White Sox | 0-0   |
| Baseball | Twins     | 0-0   |
| Baseball | Rangers   | 0-0   |
| Baseball | Mariners  | 0-0   |
| Baseball | Giants    | 0-0   |
| Baseball | Bears     | 0-0   |
| Baseball | Reds      | 0-0   |
| Baseball | Indians   | 0-0   |
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SPORTS

Open Rain Raises Money Matters

By Peter Alfano
New York Times Service

NEW YORK — There is always a first time, and the steady rain that fell on the Stadium Club, forming pools on the Deco II surface and drenching a dozen spectators in rose-colored glasses sipping under umbrellas, meant that the U.S. Open would be extended for at least one day. That had not happened in the nine previous years the tournament had been played at the National Tennis Center.

The men's final, between Ivan Lendl and Mats Wilander, was to be played Monday at 2 P.M. EST. The program would begin at 10 A.M. with the women's doubles final, followed by the mixed doubles final.

The last time rain postponed a final was in 1974 at Forest Hills, when the women's singles match between Evonne Coolidge and Billie Jean King was played on Monday.

That was the beginning of the big-money era, when the U.S. Open was still only a tennis tournament played at a country club. There was not much griping about scheduling then, phrases such as "Super Saturday" hadn't become popular.

The U.S. Open was more like Wimbledon, the French Open and Australian Open — geared to an elite audience. It was moved to the Tennis Center in Flushing Meadows in an attempt to generate mass appeal, although some argue that the country club crowd is now a

corporate crowd, and the average fan is still on the outside looking in.

"There is a lot of corporate involvement," said Mike Burns, the tournament director, "but we feel they bring out people. I think we think of ourselves as a playoff event, the culmination of tennis in the United States. We're like the World Series and Super Bowl."

The Tennis Center is certainly not a quiet club. The commotion caused by spectators, vendors and airplanes has made many players feel as if this is comparable to going to the dentist every day for two weeks. It is a unique setting in a sport that tries to apply old-fashioned values of sportsmanship and decorum to a high-profile, high-pressure business.

Perhaps the open mirrors the changes in tennis better than most tournaments. Perhaps singles matches ending past midnight, or an afternoon and evening session with only one man's quarterfinal each, but a Saturday feast of men's semifinals and women's final, are examples of maximizing profits.

The tournament has netted the United States Tennis Association approximately \$4 million a year, excluding the revenue generated by television rights. Television adds between \$12 million and \$15 million a year to the USTA coffers.

In 1978, when the open was played at the Tennis Center for the first time, total prize money for all competition was \$580,000. It is now approximately \$4 million.

And the open provides the USTA with 82 percent of its income. Burns noted that money is constantly put back into improving facilities for players and fans.

But many of the top players would rather have the tournament conform to the other Grand Slam events, which schedule an off day between the semifinals and finals for the women and men. This puts the women in the spotlight on Saturday. Even before the Saturday schedule was implemented for the open in 1980, the women played on the second fiddle, their final preceding the men's singles on Sunday.

"I think the men and women need to get together and go see the USTA," Martina Navratilova said. "It is ridiculous to have a final in the Grand Slam and not know who you are playing. And it's not fair for the men to have to play back-to-back, Saturday and Sunday."

Wilander said he would be willing to accept less prize money if television were resistant to approve a format change. "It's important to do well in the U.S. Open," he said, "more important than the money."

Burns said the USTA would consider a switch, but said he doubted that television officials would agree. Television, of course, plays an instrumental role in scheduling. A representative from CBS-TV and the USA cable network sit on the USTA scheduling committee.

Defaults Aid Navratilova

Navratilova, winner of the women's championship, would be playing in both doubles finals, but her route to a possible triple title had been aided by defaults in the last two days. The Washington Post reported.

Saturday evening, shortly after losing the women's final, Steffi Graf, who had a head cold, defaulted the semifinals and Gabriela Sabatini were to play against Navratilova and Pam Shriver. Graf had a head cold that did not prevent her from playing singles and would not have prevented her from playing in any other tournament, she said.

That put Navratilova-Shriver in the final against Kathy Jordan and Elizabeth Smylie, who had denied Navratilova a triple at Wimbledon in 1985 by upsetting Navratilova-Shriver in the final and ending a string of eight Grand Slam titles.

Sunday, shortly after the postponements were announced, the mixed doubles team of Raffaella Reggi and Sergio Casal defaulted the semifinals to Navratilova and Emilio Sanchez. Casal saying he was ill.

Both Casal and Sanchez are to play a tournament in Madrid this week. The two are doubles partners and best friends, and the default gave them one less match to play while making life much easier for Navratilova, who might have had to play three matches Monday.

BASEBALL ROUNDUP

The season here on the weekend of Oct. 2. They also were in no position to take another defeat.

So, they endured one delay of 1 hour, 43 minutes before the game began and another of 1 hour, 41 minutes after Coleman opened the contest with a single off Cone.

But the Cardinals didn't threaten until the fourth, when Willie McGee led off with a double and Pendleton walked. John Morris hit a high chop to the right side, where Keith Hernandez threw the ball to Cone covering first. But the throw was slightly behind Cone, who dropped it crossing the bag. Morris was credited with a single. Hernandez was charged with an error for the run and the Cardinals had a 1-0 lead.

But a marshy field and some tricky strategy helped the Mets go ahead in the bottom of the inning, after Darryl Strawberry doubled into the penals in right-center, where Morris splashed as he slid across the field. Next, Kevin Reynolds tripled over McGee's head as the center fielder sloped back. And, Gary Carter pushed a bunt down the third-base line and squeezed Reynolds home for a 2-1 lead.

In other games last Sunday, the wire services reported: Padres 10, Astros 2; In San Diego, Carmelo Martinez, Randy Ready and Chris Brown each homered and Jimmy Jones pitched an eight-inning shutout.

White Sox 2, Mariners 6; In the American League, in Seattle, Pat Keedy and Dominic Hill homered to back Floyd Bannister's one-hitter for Chicago. Bannister faced the minimum 27 batters in completing his ninth game; the Mariners' Mark Langston pitched a two-hitter for his 13th complete game, striking out nine to raise his major-league leading total to 231.

Texas 6, Angels 2; In Anaheim, California, Larry Parrish homered and singled to drive in three runs for Texas as the defending West champion Angels lost for the ninth time in their last 11 games.

Royals 6, Athletics 5; In Oakland, California, Steve Balboni homered for the third time in four games to help Kansas City win and tie the Athletics for second place in the West.

(AP, UPI)



When Stump Mitchell carried the football, he attracted more attention from the Cowboys than he would have liked. Still, the Cardinals won the NFL season opener, 24-13.

Giants Versus Bears: A Super Game Even If Not a Super Bowl

By Frank Litsky
New York Times Service

CHICAGO — On paper, it was a season matchup: the New York Giants, who won the last Super Bowl, against the Chicago Bears, who won the previous Super Bowl. They had the best records, 14-2, in professional football last season and may be the two best teams this season.

Monday night's game would highlight the first weekend of the National Football League's strike-shortened season. But despite the excitement, the people concerned insist it must be kept in perspective.

"It involves the last two Super Bowl champions," said Bill Parcells, coach of the Giants, "but it's not as big as it's made out to be."

"I don't know if the game can be that good as it's hyped up to be," said Mike Ditka, coach of the Bears.

"There will be a lot of eggs on one side," said Mike Tomczak, coach of the Bears' quarterback pro team, "I don't know if it's the biggest game of the season because we will have at least 15 games after that."

Try telling that to this Bear-happy city. The 60,000 seats at Soldier Field were sold out, and scalpers are selling tickets for \$100 for a \$20 ticket.

The last time these teams met, the Bears won, 21-0, in January 1986 in the playoffs. Two games later, the Bears won Super Bowl XX.

Both teams are basically the same five players from last season. The Bears have basically the same uncertainty at quarterback, where Jim McMahon's rotator-cuff surgery will keep him out at least six more weeks.

Last season, McMahon, Tomczak, Doug Flutie and Steve Fuller took turns at quarterback. Now McMahon and Fuller are on injured reserve, and Tomczak was the starting quarterback and the promoter of the game, Jim Harbaugh.

Through the Bears were 7-0 in the games Tomczak started last season, he had 10 interceptions, most only one touchdown. But he had to be often throwing off the wrong foot, and that he worked hard in the Bears' 20th game to remedy that.

But the Bears are a running team, and the 33-year-old Walter Scott, the NFL's career rushing leader, with the added dimension of power for Neal Anderson at fullback. Bears will have a pinched neck.

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NFL FOOTBALL

gave up 300 yards in the Super Bowl and won."

The Bears' offense will suffer if Jay Hillenberg, the center, cannot function well. The partially torn rotator cuff in his shoulder will be protected by a harness. His only backup is John Adickes, a rookie.

The Giants were 3-1 in preseason games. They got good passing from Phil Simms (50 of 86 for 587 yards and 4 touchdowns) and undisciplined running from Joe Morris (34 for 92 yards and 2 touchdowns).

The key to the Giants' offense might be William Roberts' success as the replacement at right tackle for Karl Nelson, who has Hodgkin's disease. Roberts has shown progress, but he had to control an exceptional defensive end in Dan Hampton.

So both teams were concerned as they approached their opening-game confrontation. While it would not make or break their seasons — the Giants lost last year's opener to the Dallas Cowboys — it was not quite just another game.

"There was a different atmosphere around us all week," said Simms, "because this is a real game."

In games last Sunday afternoon, The Associated Press reported: Seahawks 17, In Denver, the Broncos defense turned five turnovers into 27 points and John Elway passed for 338 yards and four touchdowns as the defending AFC champions routed Seattle.

Rich Karlis, who missed twice in the last Super Bowl, kicked four field goals as the Broncos scored 33 straight points after trailing, 17-7, with 25 minutes gone in the game.

The biggest splash Seahawks rookie linebacker Brian Bosworth made was by appearing with No. 44 painted on the top of his shoes in protest of the NFL rule that made him wear a linebacker's number, 55. The biggest cheer he got from a crowd of 75,999 came on the third play of the game, when he was leveled in the open field by Bronco center Billy Bryan.

Raiders 20, Packers 0: In Green Bay, Wisconsin, Marcus Allen ran for 136 yards and a touchdown as Los Angeles handed Green Bay its first shutout in 122 games.

Although negotiators for the players association and the owners' held extended talks over the weekend, they seemed no closer to an agreement. The New York Times reported. The union has set a Sept. 22 strike deadline.

Canada Beats Soviet In Longest Cup Game

By Robert Facher
Washington Post Service

HAMILTON, Ontario — Mario Lemieux's third goal of the contest, after 30 minutes, 7 seconds of sudden-death overtime, gave Canada a 6-5 victory Sunday night over the Soviet Union in the longest game in the history of international hockey.

As a result, the Canada Cup was to be decided in a third game, to be played here Tuesday. The Soviet Union won Friday's opener in Montreal by the same score, in 5:33 of extra time.

Doug Crossman had enabled the Soviets to close the gap. Viacheslav Fetisov scoring from the left point at 12:11 on a drive that caromed into the net off goalie Grant Fuhr's stick. Then Canada's touted power play backed after Sergei Nemchinov was chased for holding Glenn Anderson. Just 13 seconds later, Vladimir Krutov made it 3-3 from the far corner of the right wing circle following expert stickhandling by him and Sergei Makarov. It was the Soviet Union's third shorthanded goal in three games against Canada.

Lemieux's go-ahead score came on a two-on-one break with Gretzky assisting Vasil Pervukhin. After Anatoli Semenov rattled a post, Viacheslav Bykov created a 4-4 tie at 4:45 of the third period. Andrei Klomintov was tripped by Craig Hartung, maintained control of the puck while on his knees and passed to Bykov in the right wing circle. His backhander beat Fuhr on the short side.

When Semenov batted his own rebound into the net with a high stick, Lemieux quickly raked no goal. After Lemieux slashed Khomintov without a penalty, it appeared that Stewart had put his whistle in chockals. At 9:52, however, he chased Alexei Gusev for hooking Propp and this time Canada's power play came through. Belosheikin blocked Paul Coffey's shot, but Gretzky shoved the rebound through the crease and Lemieux captured it inside the left post at 10:14.

An incredible effort by Kamensky's shot off the year boards came out in front. Sergei Piskhin was just wide with the rebound. And, finally, Fuhr made a great stop on a screened shot by Alexei Kasatovov, skating down the middle.

Canada Beats Soviet In Longest Cup Game

goal with only 64 seconds to go. The first period was played at an incredible tempo, with the Canadians unleashing 17 shots on goal, the Soviets 13. Canada grabbed a 3-1 lead with an assist from referee Paul Stewart, who disallowed what had appeared to be a Soviet score.

The pace dropped in the second period and so did Canada's fortunes, until a 3-3 tie was broken by Lemieux's eighth goal of the tournament at 16:32.

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Mets Stop Cardinals To Keep Race Alive

By Joseph Durso
New York Times Service

NEW YORK — The New York Mets salvaged one game of a punishing weekend when David Cone pitched them to a 4-2 victory Sunday over the St. Louis Cardinals, who left town with a 2½ game lead in the National League East Division with 21 games to play.

Meanwhile, Ron Darling, the symbol of the Mets' costly week, underwent surgery on the torn ligaments in his right thumb. He is gone for the rest of the season, but the surgeon, Richard Eaton, said, "We expect him to be 100 percent when spring training begins."

The most immediate problem Sunday was a new one, the weather. Constant rain at Shea Stadium during the afternoon delayed the game in two stages for nearly 3½ hours.

While Darling was undergoing a 45-minute operation on the right hand he fell while trying to field a bunt by Vince Coleman, the Mets were waiting in their locker room.

They had begun the week by losing a 16-inning game in Los Angeles. They steadied somewhat after flying home and won two of three from the Philadelphia Phillies, while the Cardinals lost three straight in Montreal and arrived in New York with their lead down to 1½ games.

The Cardinals were without Jack Clark, their prime home-run hitter, who severely sprained his right ankle in the final game against the Expos. So, the Mets opened the series with soaring spirits.

"We had the momentum," Tim Lincecum said. "But they took it away from us."

The Mets lost their momentum in agonizing ways, too. Darling pitched out-hit ball into the seventh inning in the opener before he left with his damaged thumb. Then Roger McDowell threw a home-run pitch to Terry Pendleton for a tie with two out in the ninth, and the Mets were tied for three straight and a 6-4 lead in the 10th.

The next day, Dwight Gooden was routed and the Cardinals went on to whip the Mets again, 6-1.

Consequently, the Mets were in no mood or no position to take a rainout. Because it was the Cardinals' final visit to New York, the game would have been rescheduled for St. Louis, when the Mets close the season.

(AP, UPI)

SCOREBOARD

Baseball

Major League Leaders
AMERICAN LEAGUE
Pitching: N.Y. 137 284 105 195 347
Batting: N.Y. 121 88 84 132 333
Fielding: N.Y. 129 215 95 149 328

Sunday's Major League Line Scores

AMERICAN LEAGUE
Minnesota 10, Toronto 4-7 11
Cleveland 9, Detroit 8-9 1
Baltimore 7, Oakland 6-9 1
Pittsburgh 7, Kansas City 7-9 1
New York 7, Philadelphia 7-9 1
Chicago 7, St. Louis 7-9 1
Detroit 7, Milwaukee 7-9 1
Cleveland 7, Toronto 7-9 1
Pittsburgh 7, Kansas City 7-9 1
New York 7, Philadelphia 7-9 1
Chicago 7, St. Louis 7-9 1
Detroit 7, Milwaukee 7-9 1

Major League Standings

AMERICAN LEAGUE
East Division: Toronto 85 57 599, Detroit 72 51 589, Cleveland 77 63 552, Baltimore 79 62 559, Philadelphia 82 60 522, Chicago 80 66 525
West Division: Minnesota 77 67 535, Kansas City 72 70 499, Oakland 71 68 499, Detroit 71 68 499, Philadelphia 68 76 476, Chicago 68 76 476

Football

NFL Standings

AMERICAN CONFERENCE
New England 11 0 1,000 28
San Diego 10 0 1,000 28
Buffalo 10 0 1,000 28
Indianapolis 10 0 1,000 28
Miami 10 0 1,000 28
Cincinnati 10 0 1,000 28
Houston 10 0 1,000 28
Cleveland 10 0 1,000 28
Denver 10 0 1,000 28
Kansas City 10 0 1,000 28
San Diego 10 0 1,000 28
Seattle 10 0 1,000 28

NATIONAL CONFERENCE

St. Louis 10 0 1,000 28
Washington 10 0 1,000 28
Dallas 10 0 1,000 28
Philadelphia 10 0 1,000 28
Atlanta 10 0 1,000 28
New York 10 0 1,000 28
Pittsburgh 10 0 1,000 28
New Orleans 10 0 1,000 28
L.A. Rams 10 0 1,000 28
San Francisco 10 0 1,000 28

SUNDAY'S RESULTS

N.Y. Jets 21, Buffalo 20
New Orleans 28, Cleveland 16
Houston 28, L.A. Rams 16
New England 28, Indianapolis 21
San Diego 28, Dallas 17
Tampa Bay 48, Atlanta 10
St. Louis 24, Detroit 17
Washington 24, Philadelphia 24
Minnesota 24, Detroit 17
L.A. Raiders 24, Green Bay 9
Denver 41, Seattle 17

Tennis

U.S. Open Results

WOMEN
Martina Navratilova and Pam Shriver, U.S. (12) def. Kathy Jordan, U.S., and Elizabeth Serrillo, Australia (5), 5-7, 4-6, 6-4.

MAKED DOUBLES

Navratilova and Shriver, U.S., def. Navratilova, U.S., and Serrillo, Australia, 6-3, 6-4.

Transition

BASEBALL
CLEVELAND—Activated Rick Dempsey, catcher, and Rustie Stirr, pitcher, from the disabled list.

Epilepsy Ends the Career Of Welter Champ Marsh

United Press International

LONDON — Terry Marsh, the world's light welterweight champion, has quit the ring after discovering that he is suffering from epilepsy.

Marsh last fought July 1, when he defended his title against Akio Kanda of Japan, and "there was no sign of any abnormalities" in the brain scan, said John Morris, secretary of the British Board of Control.

Marsh said he did not learn of the illness until two weeks ago.

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